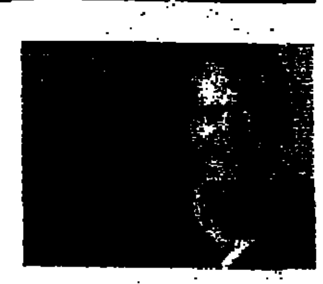
FINANCIAL TIMES

The microprocessor
Engine of the information age
Page 11

US management
Not just driven by profit after all
Page 10



Deutsche Bank
Off to the races in Asia
Special report, Page 14

Web lag
New cures for surfing delays
Louise Kehoe, Page 21

World Business Newspaper http://www.FT.com WEDNESDAY NOVEMBER 13 1996

UK set to open telecoms market to foreign rivals

The UK is set to license from next January all 46 companies which bid to compete with British Telecommunications and Mercury Communications in offering a full range of telecoms services between the UK and the rest of the world.

The list includes AT&T of the US, Eurotunnel and Global One, the strategic alliance between Deutsche Telekom and France Télécom. The decision marks the largest single move towards opening up the UK's international telecoms market to competition. Page 8; EU improves telecoms talks offer, Page 6; Lex, Page 12

EU and UK clash on work week: British prime minister John Major and European Commission president Jacques Santer clashed after Mr Major warned there would be "no end" to negotiations on a new European Union treaty unless the EU agreed to a UK opt-out on a European law setting a maximum 48-hour week for most workers. Page 12; Industry appeals for new government lead, Page 8; Editorial Comment, Page 11

Bank chief warning on Emu: UK central bank governor Eddie George warned that European monetary union would inflict serious long-term economic damage if countries joined a single currency before they were ready. Page 8

Mining group defies US on Cuba: Sherritt International, the Canadian mining company, plans to increase its holdings in Cuba in defiance of hostile US legislation aimed at stopping investment in the island. Page 12

Anger on holocaust accounts: The World Jewish Congress denounced as "pathetic" a disclosure by Swiss banking ombudsman Hanspeter Häni that he had found only SFr11,000 ($8,750) in dormant bank accounts linked to victims of the Nazi holocaust. Page 12

World food summit pledge defended

United Nations food agency head Jacques Diouf, left, defended the world food summit, opening in Rome today, against criticism that action would not follow its pledge to halve the number of people suffering from malnutrition to 420m by 2015. Page 4

New copper fraud claim: Sumitomo Corporation filed a fresh criminal complaint alleging fraud against its former star trader Yasuo Hamanaka. The new complaint alleges he sold $770m worth of fictitious warrants to buy copper to Sumitomo's Hong Kong subsidiary in October and November 1994. Page 6

German exports slip: Germany is losing its share of world markets as its exports increasingly fail to match the growth in world trade, the German wholesale and foreign trade association, BGA, warned. Page 6; Editorial Comment, Page 11

Australian first on infrastructure funds: Australia's first listed infrastructure fund is due to be launched next month when Infrastructure Trust of Australia seeks to raise A$300m ($236m) in a stock market flotation. Page 13

Lyon bombing: Six people were slightly injured when a crude bomb exploded outside a subsidiary of the state-owned bank Crédit Lyonnais in Lyon.

Russian mutual fund launched: A Moscow-based investment company yesterday launched Russia's first US-style mutual fund in an effort to suck billions of roubles into the productive economy. Page 2; Observer, Page 11

IRI's fate sealed: IRI, Italy's giant state holding company, is set to lose two-thirds of its remaining activities in the next 12 months, ending 70 years as a dominant force in the Italian economy. Page 3

Rumasa case may be wound up: The prosecutor in the case against José María Ruiz-Mateos, ex-head of the Spanish Rumasa business empire, has recommended abandoning proceedings, originally launched 14 years ago. Page 3

Euro 96 scores top profit: The Euro 96 football championship in England made $91.2m, the most profitable European tournament since 1960, the European soccer body UEFA reported.

FT.com: the FT web site provides online news, comment and analysis at http://www.FT.com

■ STOCK MARKET INDICES

New York lunchtime		
Dow Jones Ind Av	6,264.92	(+9.32)
NASDAQ Composite	1,286.73	(+4.06)
Europe and Far East		
CAC40	2,229.13	(+23.93)
DAX	2,734.30	(+5.98)
FTSE 100	3,934.3	(+19.9)
Nikkei	21,206.43	(+141.35)

■ US LUNCHTIME RATES

Federal Funds	5¼%
3-mth Treas Bills: Yld	5.131%
Long Bond	100½
Yield	6.455%

■ OTHER RATES

UK: 3-mo Interbank	6 5/16%	(6 7/32%)
UK: 10 yr Gilt	99 9/32	(99 5/32)
France: 10 yr OAT	104.66	(104.39)
Germany: 10 yr Bund	102.72	(102.56)
Japan: 10 yr JGB	102.089	(101.795)

■ NORTH SEA OIL (Argus)

Brent Dated	$22.375	(22.65)

■ GOLD

New York Comex		
(Dec)	$383.4	(382.8)
London:		
close	$381.70	(380.85)

■ DOLLAR

New York lunchtime		
£	1.646	
DM	1.50765	
FFr	5.097	
SFr	1.28855	
Y	111.865	
London:		
£	1.6487	(1.6463)
DM	1.4991	(1.499)
FFr	5.0717	(5.0723)
SFr	1.2605	(1.2606)
Y	111.335	(111.24)
Tokyo close:	Y 111.45	

■ STERLING

DM	2.4686	(2.4677)

Albania	LEK 275	Gibraltar	£0.75	Lithuania	Lts 18.00	Qatar	QR13.00
Austria	Sch37	Greece	Dr400	Lux	LFr75	S.Arabia	SR13
Bahrain	Din1.300	Hong Kong	HK$20	Malta	Lm0.70	Singapore	S$4.30
Belgium	BFr75	Hungary	Ft270	Morocco	MDh18	Slovak Rp	Sk75
Cyprus	C£1.30	Iceland	IKr260	Neth	Fl 4.75	S. Africa	R12.00
Czech Rp	Kc70	India	Rs75	Nigeria	Naira125	Spain	Pta250
Denmark	DKr20	Israel	Shk9.00	Norway	NKr22.00	Sweden	SKr20
Egypt	E£5.00	Italy	L3300	Oman	OR1.75	Switz	SFr3.70
Estonia	EKr 28	Japan	Y500	Pakistan	Rs50	Syria	S£80.00
Finland	FM18.00	Jordan	JD1.75	Poland	Zl 6.00	Tunisia	Din2.000
France	FFr12.00	Kuwait	Fils750	Portugal (m'land)		Turkey	L120,000
Germany	DM4.00	Lebanon	LL3500		Es265	UAE	Dh13.00

LONDON · LEEDS · PARIS · FRANKFURT · STOCKHOLM · MADRID · NEW YORK · LOS ANGELES · TOKYO · HONG KONG

351 feared dead as aircraft collide over India

By Mark Nicholson and Alexander Nicoll in New Delhi

At least 351 people were feared dead last night after a Saudia Boeing 747 collided in mid-air with a Kazakh Tupolev 154 aircraft near New Delhi.

The crash is India's worst ever and is believed to be the gravest mid-air collision in aviation history.

At an emergency cabinet meeting, Mr H.D. Deve Gowda, India's prime minister, ordered a full mobilisation of emergency services from Delhi and towns near the incident. The cabinet also ordered an immediate inquiry to be convened under a high court judge.

The crash is certain to raise questions about Delhi's air traffic control system. Mr Yogesh Chandra, secretary for civil aviation, said there were no reasons to review or alter air traffic control systems immediately. "They are established procedures which we have been using for the last 50 years," he said.

However, Mr W.N. Deshmukh, chairman of the government-sponsored Safety Commission for Aviation, said India's safety record was bad. "Runways are poorly lit and there is no regular update on modern aviation equipment."

Yesterday's collision occurred 40 nautical miles west of New Delhi. It came seven minutes after Saudia flight SV763 took off from Delhi, heading for Dhahran in Saudi Arabia. Indian officials said it had been cleared by air traffic controllers to ascend to 14,000 ft.

Meanwhile, the incoming Kazakh flight had also been cleared to descend to 15,000 ft on its way into Delhi's Indira Gandhi International airport, which has only one runway.

Mr H.S. Khola, director-general of civil aviation, said the orders to allow the 1,000-ft separation between incoming and outgoing aircraft were "normal procedure".

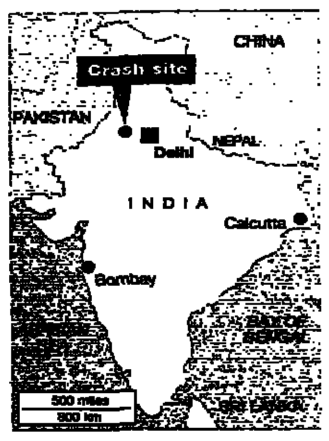
Aviation experts in London doubted that mechanical failure was behind the disaster, saying that a breakdown in communications between the incoming or outgoing aircraft and the control tower could be to blame.

Witnesses, who included the airborne crew of a US C-131 military transport aircraft which landed soon after the accident, reported seeing two giant fireballs in the sky.

Wreckage was scattered over several square miles of farmland and the villages of Tikan and Kheri Sinsanwal in Haryana, the state west of Delhi.

Kazakh aircraft have been banned from several airports in Western Europe, Israel and Turkey for failing to pay insurance fees, and one jet has been held in the Netherlands since last year.

Maintenance at Kazakhstan's state-owned airline has deteriorated since the collapse of the Soviet Union, as fuel prices soared and ticket sales dropped over 50 per cent.



OECD urges US to raise interest rates

By Gerard Baker in Washington

The US economy continues to enjoy stable growth with no sign of early cost pressures, but the Federal Reserve should raise interest rates to guard against a re-emergence of inflation, says the Organisation for Economic Co-operation and Development.

The US faced no prospect of recession for at least two years, the OECD said in its annual survey of the US economy, published yesterday.

The Clinton administration welcomed the main thrust of the report, but immediately distanced itself from the call for an interest rate rise.

Mr Joseph Stiglitz, chairman of the president's council of economic advisers, said the report was based on a "mistaken" reading of the economy. "Growth is remarkably well balanced for this stage in the business cycle," he said. The OECD had acknowledged that inflationary pressures were slight, he added.

But the OECD said rates of resource utilisation were "too high to achieve further progress towards price stability... the balance of inflation risks appears asymmetric".

Mr Peter Jarrett, the economist responsible for the report, acknowledged it was prepared several months ago when inflationary pressures had appeared much stronger. "The case for tightening is not all that clear-cut," he said.

Overall, the survey gave a highly favourable verdict on US economic performance. "The economy is, for all intents and purposes, at full employment with fairly low inflation, and while some risks certainly exist, it looks likely to continue that way over the next two years," it said.

Gross domestic product is expected to grow by 2.1 per cent next year after growth of 2.4 per cent this year. Unemployment is forecast to remain at around 5.5 per cent of the workforce this year and next. Inflation is expected to stay at or near a 30-year low of less than 2.5 per cent.

Key factors in the continuing expansion were a sharp rise in investment, on the back of strong corporate profits, rising exports, and significant progress in reducing the budget deficit. Though there were some doubts about the outlook for consumption, with rising levels of gross consumer debt, the sharp rise in financial asset prices in the last few years had boosted the wealth of the personal sector.

The report called on the authorities to address urgently the country's longer-term problems. These included the probable explosion of the public sector deficit again in the next few years, growing disparity in incomes between rich and poor and the weakness of the education system.

Clean bill of health, Page 7

United Nations secretary-general Boutros Boutros Ghali said Canada was ready to lead a multinational force into Zaire, providing security for relief operations Picture: Reuter

Canada ready to lead UN relief mission to Zaire

By Antony Goldman in Gisenyi, Rwanda, and Michela Wrong in Nairobi

A multinational force of up to 20,000 troops could soon be helping to save more than 1m Hutu refugees trapped in eastern Zaire.

Mr Boutros Boutros Ghali, the United Nations secretary-general, confirmed yesterday that Canada was ready to lead a multinational force to provide security for relief operations, ending a deadlock that has prevented effective international intervention in the central African crisis.

Mr Boutros Ghali said he expected a Security Council mandate within days for a force that would probably be derived from more than 12 countries.

He hoped the operation would receive logistical support from the US.

"People are talking of between 10,000 and 20,000 (troops)," he told reporters before the opening of the UN World Food Summit in Rome. He said South Africa and some European states, including Italy and Spain, had agreed in principle to take part. Doubts over the role and powers of the force have delayed the initiative. It will have to halt the fighting between rebels holding most of north and south Kivu on Zaire's eastern border and exiled Rwandan Hutu hardliners controlling access to the refugees.

While France was pushing energetically for Washington to take the lead, both the US and Britain continued to balk at the lack of a coherent plan of action. They may now play a support role, with Washington providing logistical assistance.

Both the US and Britain continue to have reservations about an intervention prompted by compassion and under pressure from aid agencies, but which may not address the political causes of the tragedy.

In particular, it remains unclear whether the force will be given a mandate to confront and disarm the Hutu

Continued on Page 12
UN Food Summit, Page 4

French insurance companies plan $20bn merger

By David Owen in Paris

Axa and UAP, two of France's largest insurance groups, yesterday announced plans to merge to create the world's second-largest insurance company.

The transaction will create a company with turnover of more than FFr300bn ($60bn), some 80,000 salaried staff and a stock market capitalisation of FFr100bn. The two companies said the tie-up would also produce the world's largest asset manager, "quite clearly" ahead of its rivals, including Fidelity of the US.

Mr Claude Bébéar, Axa's chairman, who is widely expected to be the driving force behind the new company, said the merger was "the deal of the century in French insurance". He suggested it would help erode France's sometimes weak reputation in the financial services sector.

"I have always been convinced that in order to survive in the 21st century, you absolutely have to have a world-scale business and a size which allows you to compete with the big boys," he said.

Apart from the sheer scale of the undertaking, the new group looked set to be managed primarily by a man with a high regard for such Anglo-Saxon concepts as return on equity and shareholder value. "For the first time in France, a manager concerned about shareholder value is set to take control of a really big company," said one observer.

Yesterday's deal continues a trend towards consolidation in the world insurance industry. In May, two British insurers, Sun Alliance and Royal Insurance, merged in a £6bn ($9.8bn) deal. As rival insurers began reviewing their strategic positions, Allianz, the German insurer set to be ousted from its position as Europe's largest insurance group, yesterday took a relaxed line, simply congratulating the two groups on "the wedding".

Editorial Comment .... Page 11
Observer .... Page 11
Lex .... Page 12
Making of a giant .... Page 16

In terms of geographic coverage, the long-rumoured merger of the two French groups appears to make good strategic sense, combining Axa's strength in North America and Asia with UAP's European prominence. Europe will account for about two thirds of the turnover of the combined group. It will be the largest insurer in Belgium, the second-largest non-life insurer in Germany and the third-biggest life insurer in the UK and Ireland.

Some observers suggested, however, that Mr Bébéar and Mr Jacques Friedmann, UAP's chairman, might find it difficult to combine Axa's more entrepreneurial management culture with UAP's more bureaucratic management style.

Under the proposed deal, UAP shareholders would be able to exchange 10 UAP shares for four Axa shares and four so-called "guaranteed value" certificates. Bearers of these certificates would receive an additional payment if Axa shares were trading at below FFr392.50 a share in June 1999. The payment would amount to the difference between FFr392.50 and the actual share price up to a maximum of FFr80 a share. The certificates themselves will be listed.

Mr Bébéar said he was confident the group should be able

Continued on Page 12

CONTENTS

Move to recoup EU payments

By Neil Buckley in Strasbourg

The European Commission will next month press for broader powers to force repayment of EU funds which are wrongly paid out after the EU's spending watchdog estimated errors totalling Ecu4bn ($5.06bn) in the Union's payments in 1995.

A highly critical Court of Auditors report said yesterday for the second year running it could not guarantee the "legality and regularity" of all 1995 payments after uncovering a catalogue of errors – though it did certify the overall budgetary accounts as "essentially true".

The spending watchdog said that extrapolating from random samples, which found mistakes by the Commission, member states and recipients of funds totalling Ecu180m, it believed 5.9 per cent of all payments last year involved errors, equivalent to about Ecu4bn. The error rate had increased from 4 per cent in 1994.

Mr Erkki Liikanen, budget commissioner, said he would press EU finance ministers next month to grant the Commission new powers to vet payments and reclaim any wrongly made out of the EU's "structural funds" – regional development and social funds – which accounted for most of the mistakes.

He hoped to persuade finance ministers to present the plans to the Dublin summit of EU leaders in December. He must win over opposition particularly from federal states such as Germany and Belgium, where responsibility for paying out EU funds often lies with regions, rather than the national government.

A similar "clearance of accounts" system has been authorised in the agriculture sector – the biggest single item of EU spending – since common agriculture policy reform in 1992. The first formal clearance of accounts this year, covering 1992 agriculture spending, came down hard on states found to have paid out too much in subsidies to farmers, demanding repayment of Ecu787m.

Mr Liikanen said the commission was also pressing for clear rules on who was eligible to receive structural funds. He added that the majority of mistakes uncovered in the court of auditors reports involved incorrect assessments or completion of paperwork, rather than deliberate fraud.

In the agricultural sector, Mr Bernhard Friedmann, president of the Court of Auditors, said many mistakes continued to be made, including:

■ Ecu16m out of Ecu180m provided for detecting fraud was itself "not adequately vouched for";

■ Ecu18m had wrongly been paid out by Denmark in export refunds relating to export of feta cheese to Iran;

■ Olive oil producing states had failed to introduce registers of olive trees, to avoid fraud involving double counting of trees.

Mutual fund launched in Russia

By John Thornhill in Moscow

A Moscow-based investment company yesterday launched Russia's first US-style mutual fund in an attempt to revolutionise the country's savings habits and suck billions of roubles into the productive economy.

The savings funds, known as open unit investment funds, will be heavily regulated by the Federal Securities Commission, subject to regular audits, and redeemable daily, helping to instill confidence among Russia's wary investors.

Government reformers hope the new funds will play a critical role in recycling dormant domestic savings, giving industry access to a new pool of money and broadening Russia's nascent capital markets.

The first tax-exempt unit fund, called Pioneer First, is targeted at domestic retail investors and has a minimum investment threshold of Rbs500,000 ($91).

The fund was advertised in two Russian newspapers yesterday and can be bought through selected banks and agents.

The fund is managed by Pioneer First Management Group, controlled by the US Pioneer Investment group and First Investment Voucher Fund, one of Russia's largest privatisation funds.

Mr Timothy Frost, director of the fund management group, said: "We hope to set new standards in the savings industry. But the commission really will have to police the industry with an iron glove to make sure it reaches its full potential."

The commission has granted licences to launch unit funds to 11 management groups, many of which are backed by western financial institutions. At least two of them, Pallada and Troika-Dialog, are expected to launch unit funds soon.

Mr Dmitry Vasiliev, the head of the Federal Securities Commission, who has supervised the development of the retail savings industry from scratch, said the unit funds would set a new level of transparency and professionalism, helping to overcome the traditional distrust of savings companies.

Millions of Russians have been swindled in scam investment schemes or have lost money in collapsed banks and are estimated to save billions of US dollars under their mattresses.

"The most pessimistic assessment is that there is $20bn of potential savings in Russia. On the basis of the studies and opinion polls we have conducted we think we can attract at least 10 per cent of that into these funds within the next two years," Mr Vasiliev said in a recent interview.

Because of unpredictability of redemption rates, the first funds will initially be targeted at the fast developing and high-yielding government bond market, the most liquid in Russia.

See Observer, Page 11

Greece orders audit of brokers

Greece's government has attempted to restore investor confidence and ensure that the Athens stock exchange re-opens today by ordering immediate audits of 10 brokerage firms allegedly involved in fraudulent share-trading, writes Kerin Hope in Athens.

The bourse closed last Friday following the collapse of a small brokerage firm, Delta Securities, which presented a bad cheque for Dr2.6bn ($10.9m) to the bourse clearing house. The Greek stockbrokers' association threatened to boycott the market until outstanding trades were settled.

The government's move reflected fears that prolonged closure of the bourse would undermine international investors' confidence in Greece's fragile capital market. Several of the 10 brokerages accused of trading with Delta Securities also deal with institutional investors abroad.

The government also ruled that investors' losses resulting from the scandal would be covered jointly by the clearing house and the Greek stockbrokers' guarantee fund. In a separate move, the capital markets committee which acts as a watchdog for the bourse said US accountants would be called in for independent audits of the 10 brokerages.

Mr Victor Pisante, a director of Telesis Securities, a leading Athens brokerage, said: "The government's intervention was welcome and should help to restore credibility, although the brokers' call for a full settlement has been ignored."

Trading on the exchange yesterday was limited to token deals between brokerage houses controlled by Greece's five largest banks. Brokers said the banks had come under pressure from the government to resume trading as soon as possible.

Investigations into the share-trading scandal broadened when a public prosecutor yesterday brought charges of negligence against officials at the clearing house. Delta's directors already face charges of fraud for allegedly manipulating share prices in Magrizos, a textile manufacturer, and other small companies over the past few months.

The scandal is the latest of several to hit the Athens bourse. Over the past six months, trading has been disrupted by a dispute over registering shares of construction companies bidding for large public works contracts, and by the cancellation of a casino licence awarded to a consortium of listed Greek companies following allegations of bribes to government officials.

THE FINANCIAL TIMES
Published by The Financial Times (Europe) GmbH, Nibelungenplatz 3, 60318 Frankfurt am Main, Germany. Telephone ++49 69 156 850. Fax ++49 69 596 4481. Represented in Frankfurt by J. Walter Brand, Wilhelm J. Brüssel, Colin A. Kennard as Geschäftsführer and in London by David C.M. Bell, Chairman, and Alan C. Miller, Deputy Chairman. Shareholders of the Financial Times (Europe) GmbH are: The Financial Times (Europe) Ltd, London and F.T. (Germany Advertising) Ltd, London. Shareholder of the above mentioned two companies is: The Financial Times Limited, Number One Southwark Bridge, London SE1 9HL.
GERMANY:
Responsible for Advertising: Colin A. Kennard. Printer: Hürriyet International Verlagsgesellschaft mbH, Admiral-Rosendahl-Strasse 3a, 63263 Neu Isenburg ISSN 0174 7363. Responsible Editor: Richard Lambert, c/o The Financial Times Limited, Number One Southwark Bridge, London SE1 9HL.
FRANCE:
Publishing Director: P. Maravigna, 42 Rue La Boétie, 75008 PARIS. Telephone (01) 5376 8254, Fax (01) 5376 8253. Printer: S.A. Nord Eclair, 15/21 Rue de Caire, F-59100 Roubaix Cedex 1. Editor: Richard Lambert. ISSN 1148-2753. Commission Paritaire No 67808D
SWEDEN:
Responsible Publisher: Hugh Carnegy 468 618 6088. Printer: AB Kvällstidningen Expressen, PO Box 6007, S-550 06, Jönköping.

Editor: Richard Lambert, c/o The Financial Times Limited, Number One Southwark Bridge, London SE1 9HL.
R

Bonn coalition puts plaster over its budget wounds

By Peter Norman in Bonn

German coalminers protest outside FDP headquarters in Bonn yesterday against planned cuts in mining subsidies Reuter

"There was calm at the eye of the storm," said Mr Adolf Roth, budget expert of Chancellor Helmut Kohl's Christian Democratic Union, shortly after MPs from the government parties approved DM3bn ($2bn) of emergency spending cuts in next year's draft budget.

And, indeed, after weeks of tension between the CDU and its Bavarian sister party, the Christian Social Union, on the one hand and the small Free Democrat party on the other, the package of savings was adopted remarkably smoothly on Monday evening.

Such harmony appeared unlikely a week before. The cuts package – with DM1bn from the labour and social affairs budget – contained unpleasant medicine, especially for the CDU's blue-collar wing. But during a protracted row over how much to cut the solidarity surcharge, a tax to help finance eastern Germany, the coalition looked into the abyss and pulled back.

It was clear in the middle of last month that relations between the CDU/CSU and the FDP were very bad. But it was only last weekend that news leaked out that Mr Kohl had threatened to resign on November 5.

The coalition leaders adjourned for a few hours before papering over their differences and agreeing to settle the solidarity surcharge cut next month.

Mr Hermann Otto Solms, FDP parliamentary leader, later described the November 5 meeting as a "cleansing thunderstorm". Certainly, the FDP realised it would be isolated in opposition if it left the coalition, and could face total eclipse at the next general election in 1998. Having staked out its position as the tax cutting party, it was in no position to form a government with the opposition Greens and Social Democrats, parties of big government.

Theoretically, the CDU/CSU were in a somewhat stronger position. They could use a collapse of the coalition to force an early election or seek a "grand coalition" with the SPD.

But both options are unappetising. On the basis of current opinion polls, the CDU and CSU do not have sufficient support to form a government on their own.

A grand coalition is hard to imagine with Mr Kohl, the CDU's biggest electoral asset, as chancellor. Opposition to that arrangement has been a constant thread through his long political life. He was a fierce opponent of the 1966 decision of the CDU to coalesce with the SPD, arguing that it would help pave the way for an SPD-led government. His fears were fulfilled in 1969 when the SPD formed a government with the FDP that lasted until 1982.

But Mr Roth's reference to the storm was an acknowledgment that more difficulties lie ahead. The recent rows have brought personal relations among coalition politicians to a low ebb. The tensions between the CDU/CSU and FDP are widely expected to flare again next month when they must decide how much to cut the 1998 solidarity surcharge.

Editorial comment, Page 11.

Vote backs Bulgaria's PM

By Anthony Robinson and Theodor Troev in London

Mr Zhan Videnov, Bulgaria's prime minister, narrowly won a vote of confidence from the ruling Socialist party leadership yesterday despite the party's humiliating defeat in the presidential elections on November 3.

The 87-to-69 vote in Mr Videnov's favour from the party's supreme council allows him to carry on at least until a full party congress called for December 21. The party also backed his proposal to press ahead with the establishment of a currency board to restore confidence in the Bulgarian lev, as suggested by the International Monetary Fund.

The all-night session revealed a party divided between its Soviet-style traditionalists and social democratic reformers, but unwilling to replace Mr Videnov, whose unpopularity in the country was revealed by the elections. Mr Petar Stoyanov, the non-socialist opposition candidate, won nearly 60 per cent of the vote to secure the presidency in the second round run-off.

Mr Videnov pledged to introduce a currency board as IMF officials left the country after advising this was the best way to improve discipline and stave off a second default on Bulgaria's $10bn foreign debt.

The IMF approved a $580m standby loan in July. After an initial disbursement, however, it announced it would not pay out the $115m second tranche until the government demonstrated its will and ability to curb lending to bankrupt banks and enterprises, and speed up privatisation and the closure of loss-making enterprises.

The government recently closed 14 banks and raised the central bank discount rate to an unprecedented annual rate of 300 per cent in September to stem a run on the banks and a haemorrhage of reserves, which have fallen to around $500m.

The rate has since been reduced in stages to 180 per cent, but the surge in interest rates and inflation has played havoc with the budget and underlined the need for drastic action to restore financial discipline.

Mr Dimitar Kostov, the finance minister, said the government accepted that a currency board system, which has helped to underpin financial stability in the Baltic states, would be useful for Bulgaria. However, a final decision had to be taken by parliament, in which the Socialist party has a working majority.

Mr Michael Deppler, leader of the IMF mission, said technical missions would discuss the technical details of implementing a currency board in coming weeks. Under this system the volume of national currency in circulation is rigidly linked to the hard currency reserves of the central bank. The board would take over most of the functions currently exercised by the central bank and the lev would be tied to the US dollar or the D-Mark at a fixed rate.

End of Iri's dominant role in sight

By Robert Graham in Rome

Iri: a giant no more

Iri's holdings in 1992...	...and by 1998
Airlines: Alitalia	Alitalia
Banks: Comit, Credito & Banca di Roma	
Broadcasting: RAI tv/radio	RAI tv/radio
Construction/engineering: Iritecna	Iritecna (?)
Defence/high tech: Finmeccanica	Finmeccanica
Information technology: Finsiel	Finsiel (?)
Foodstuffs/distribution: SME	
Motorways: Autostrade	
Shipping: Finmare	
Shipbuilding: Fincantieri	Fincantieri
Steel: Ilva	
Telecoms: Stet	

Mussolini: saw Iri as state-led motor for recovery

The fate of Iri, Italy's giant state holding company, has been sealed.

After four years of limited asset disposals, Iri is set to lose two thirds of its remaining activities over 12 months. The radical change of identity – and perhaps eventual disappearance – ends 70 years as a dominant force in the Italian economy.

The demise of Iri was revealed on Monday after a meeting in Brussels between Mr Carlo Azeglio Ciampi, Italian treasury minister, and Mr Karel Van Miert, EU competition commissioner.

In a blunt statement Mr Ciampi said the Italian government "considers that Iri's mission as a public holding of big industrial and service companies operating under state monopoly has come to an end".

The government's aim is to allow the treasury to take over Stet, the telecoms holding owned 64 per cent by Iri, to facilitate privatisation, while also getting rid of the latter's residual banking interests in Banca di Roma, selling off Finmare (shipping) and the Autostrade, the motorways concession.

By the end of 1997, this would leave Iri with four main interests – ownership of Alitalia, the national airline; the Rai, the state broadcasting organisation; Fincantieri, the shipbuilder; and control of Finmeccanica, the defence and high technology conglomerate.

There is no logic in Iri retaining control or ownership of any of these; and all in theory are candidates for privatisation. The government could simply wind up Iri, or invent a new role such as encouraging investment to create jobs. Much will depend whether loss-making Iri will end up a net debtor, in which case it might have to be liquidated.

Iri was created under the auspices of Benito Mussolini, the Italian fascist dictator, to prop up a faltering banking system and be the state-led motor for economic recovery. One of its first acts in 1933 was to create Stet as a telephone monopoly.

Iri's influence spread after the second world war, being used by governments to take over ailing industries. As late as the mid-1980s, it was responsible for almost 5 per cent of GDP and its debts were greater than those of Argentina.

The turning point came in 1993 when the European Commission insisted Iri end all transfers and cut debt by December 1996 "to levels acceptable to a private investor operating in a market economy". In practical terms this meant a reduction of debt to L4,562bn ($3bn) from over L25,000bn.

Iri has since sold over 300 companies bringing in more than L18,000bn. But the mountain of debt has been scarcely touched and there have been more calls on its funds from Alitalia.

Privatisation has gone much more slowly than promised – notably the telecoms sector round Stet – thanks to a powerful cross-party lobby determined to preserve political patronage. Stet, for instance, controls an advertising agency that manages the advertising for all Italy's party newspapers.

As a result Italy has been unable to honour its 1993 agreement with the EU, even though in September it was grudgingly granted a six-month extension.

Faced with yet further delays in the sale of Stet, Mr Ciampi and Mr Van Miert agreed this week that the treasury take over Stet to guarantee both a reduction in Iri's debt and the privatisation process. Iri will also have to shed all other interests.

That the pressure for change has come from outside should help the government. But the task of privatising Stet will be strewn with obstacles, and many politicians, as well as those inside Iri, will fight a rearguard action to preserve a residual empire. Mr Romano Prodi, prime minister, will find himself in an uncomfortable position. For eight years he was chief executive of Iri in the 80s and then again for another year until removed in 1994.

EUROPEAN NEWS DIGEST

Spain yields on telecoms

Spain has bowed to pressure from the European Commission and agreed to speed up the opening of its telecoms sector. It will bring the deregulation of basic telephony forward from December to August 1998. The centre-right government had previously intended to delay liberalisation to build up the domestic market.

In return for the reversal of that decision, Brussels will lift objections to plans by Telefónica, Spain's partially privatised operator, to join Unisource, an alliance of the Swedish, Swiss and Dutch telecom companies. A Brussels ban would have damaged Telefónica's full privatisation scheduled for early next year.

This agreement should strengthen the negotiating positions of both the European Union and the US as they seek improved access to Asia in negotiations on global telecoms liberalisation. The talks broke down last summer when the US said Asian offers were inadequate because reciprocal measures in Europe, and specifically in Spain, did not go far enough. *Tom Burns, Madrid*

TV quota move fails

European Union broadcasters will not be limited in the amount of non-European programmes they can screen after a motion for binding quotas failed in the European Parliament. A revised version of the Television Without Frontiers directive will retain a clause stating that at least 51 per cent of programming should consist of "European works", but with the important qualification "where practicable".

At a first reading of the legislation in February, MEPs backed proposals for legally-enforced quotas. But while a renewed call for quotas in yesterday's second reading won 290 votes, with only 170 against, that fell short of the 314 needed to force EU culture ministers to reconsider their decision not to remove the "where practicable" loophole.

MEPs supported an amendment requiring member states to ensure broadcasters with exclusive rights to important sporting events do not exclude large numbers of viewers by screening them only on a pay-TV basis. They also backed moves towards including a so-called V-chip, which permits parents to filter out material they do not want their children to watch, in all new EU television sets. Both amendments will now go into a conciliation process to try to reach agreement with ministers. *Neil Buckley, Strasbourg*

Dutch phone giant challenged

A fledgling provider of international phone services to small and medium-sized Dutch businesses has complained to the European Commission that KPN, the country's privatised posts and telecoms utility, is abusing its dominant position.

Mr Gary Mesch, managing director of the Amsterdam-based Versatel Telecom, said yesterday that KPN's PTT Telecom subsidiary was using information logged by its call billing technology to target customers who switched to other carriers. They were being offered tailor-made deals designed to win them back based on calling patterns, and including retroactive discounts.

Versatel, which began operating a year ago amid a phased deregulation of the industry, wants equal access to such information. It also claims PTT Telecom is breaking cartel rules by operating together with related companies to limit competition.

A KPN official said the company had not yet received the complaint, adding only that individual targeting was "not a standard method" in its marketing. The Dutch government, which is depriving KPN of its domestic fixed line monopoly from next July, has yet to create a telecoms watchdog or resolve issues of interconnection between rival providers. *Gordon Cramb, Amsterdam*

Oil monopoly overruled

A private company has successfully challenged the outgoing Romanian government's establishment of a monopoly state operator in the important oil sector. General Trading and Investments, a Bucharest-based company active in oil trading, said the appeal court had suspended a government decision giving monopoly status to the recently created national oil company, CRP.

GTI is also challenging CRP's contracts with Petrom, Romania's oil exploration company, and the manner in which CRP was formed – a merger of the country's 12 refineries, the Peco retail network, production companies, the entire oil transport network and other parts of the industry, some of which had been partially privatised. GTI complains that the new company discriminates against independent operators and abuses its dominant position. In an open letter last month, Shell, the Anglo-Dutch group, and Italy's Agip also threatened legal action against CRP, claiming its monopoly status could have "disastrous consequences". *Virginia Marsh*

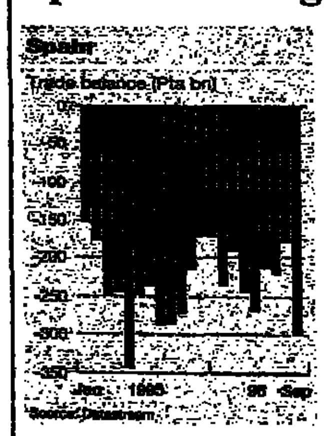
Berlin Wall appeals dismissed

Politicians and border guards from former East Germany can be punished for the killing of people at the Berlin Wall and along the former inner-German border, the constitutional court said yesterday.

In response to an appeal in the trials of three former members of East Germany's defence council, responsible for security affairs in the Communist state, the court ruled that although the killing of people attempting to flee the country was allowed under East German law it was nevertheless a severe infringement of basic principles of justice and generally accepted concepts of human rights. A similar appeal from a former border guard in Berlin was also rejected. *Frederick Stüdemann, Bonn*

ECONOMIC WATCH

Spanish trade gap shrinks



Spain's trade gap has narrowed by almost 9 per cent in the first nine months of the year to Pta2,037bn ($16bn), according to the economy and finance ministry. But in September it widened to Pta301bn from Pta287.2bn a year earlier and Pta179.9bn in August. The figures, which show slower growth of both imports and exports in September, confirm expectations of a stronger balance of payments position, which last year showed a small current account surplus for the first time since 1987. Exports rose by more than 11 per cent in the January-to-September period to Pta9,253bn; imports by 7 per cent to Pta11,290bn. The trade shortfall with the rest of the European Union was 11 per cent lower than the same period last year at Pta737bn, but exports to the EU stagnated in September, mainly because of weak French demand. *David White, Madrid*

■ German wholesale prices rose 0.2 per cent in October from September and were up 0.9 per cent from a year earlier. The capital account showed a provisional surplus of DM6.7bn ($4.5bn) in September, against a revised DM13.5bn in August.

■ French consumer prices rose a provisional 0.2-0.3 per cent in October after a 0.4 per cent rise in September. The year-on-year inflation rate was 1.7-1.8 per cent against 1.6 per cent in September.

Hungary acts over crisis in health

By Virginia Marsh in Budapest

Steps to ease Hungary's healthcare crisis were taken in parliament yesterday as MPs discussed legislation to tighten control over the semi-independent and financially-strapped social security authorities.

Two welfare ministers in 18 months have proffered their resignations. And last week, the cabinet had to approve emergency financing to keep indebted hospitals supplied with basic products such as blood plasma.

The deficits of the two funds which administer the national health and pensions systems rocketed to Ft56bn ($360m) in the first eight months of the year, more than three times the full year target of Ft17.8bn set out in the budget and in Hungary's stand-by agreement with the International Monetary Fund.

At present the government has little control over the funds' spending. The proposed legislation would give it more say in their management, would reduce their ability to block government decisions and would impose greater financial stringency.

Welfare and health are among the few areas of reform where progress has been disappointing in the past 18 months. The country's economic prospects have improved dramatically since a radical austerity package, slashing government spending and devaluing the forint, was introduced in March 1995 and the Socialist-led government went ahead with several large scale privatisations.

Standard and Poor's, the US rating agency which last month gave Hungary an investment grade rating for the first time, expects the current account deficit to fall to $1.8bn this year from $4bn in 1994, and the general government deficit to fall to 4 per cent of gross domestic product from 8.4 per cent two years ago.

But growth remains well below those elsewhere in the former East bloc, in part because of the heavy taxes and large social security contributions needed to finance welfare and the public sector. GDP is not expected to increase by more than 2 per cent this year or next.

While the planned legislation may keep health spending under tighter control, analysts remain concerned at the lack of a long-term strategy for the sector.

The welfare ministry has come under increasing attack for resisting cuts without coming up with sufficient reform initiatives of its own.

According to the World Health Organisation, Hungary spends 6.9 per cent of GDP on health, compared to an average of 5.9 per cent in central Europe, but has some of the region's worst health indicators and mortality rates.

With elections due in 1998, pressure is mounting on the government, both from the public and from within the governing Socialist party, to improve healthcare to offset last year's austerity measures which were deeply unpopular and led to sharp falls in real incomes.

The health crisis, the latest ministerial threat to resign, and a scandal over illegal privatisation payments have also led to rumblings in the Socialist party about whether Mr Gyula Horn, the prime minister, is the best person to lead it into the elections.

Spain set to abandon Ruiz-Mateos case

By David White in Madrid

Ruiz-Mateos before troubles began in the early 1980s

After almost 14 years of attempts to bring the one-time head of the Spanish Rumasa business empire to trial, and the spending of at least Pta680bn ($5.4bn) of public money to refloat his former companies, it now looks as if the case against him will be dropped.

The prosecutor in the case against Mr José María Ruiz-Mateos has recommended putting a stop to proceedings due to open in a fortnight, arguing that the specific charges have no validity in Spain's new criminal code, which came into force earlier this year.

A final decision rests with the director of public prosecutions, but it seems the mercurial 65-year-old has staved off what he always argued was a legal "pantomime".

Mr Ruiz-Mateos built up Rumasa in 20 years from a sherry trader into Spain's largest private conglomerate, with activities including stores, wine, insurance, shipping, construction and banks.

It was expropriated in February 1983 in a dramatic gesture by the newly elected Socialist government after failing to gain access to its accounts. An audit by Arthur Andersen found the group had a negative net worth of Pta257bn. Its companies were subsequently sold off piecemeal.

Efforts to bring the former owner to trial over alleged irregularities were jinxed from the start when Mr Ruiz-Mateos fled to the UK, which at the time had no extradition arrangements with Spain. However, in April 1984 he was arrested at Frankfurt airport on an international warrant. The following year a court in Hesse approved his extradition, and Mr Ruiz-Mateos was whisked back to Spain on a chartered jet.

A trial was scheduled for March 1989, but his lawyers managed to delay it until the summer, when he was elected as an MEP. That meant the case had to go up to the supreme court. In 1994 Mr Ruiz-Mateos lost his seat and the case went back to the national court.

Prosecutors were seeking a 12-year jail sentence on two charges of falsifying accounts in the holding company and banks, relating to alleged fictitious loans and the evaluation of assets. These were the only grounds admitted by the German court for his extradition. Other initial charges of currency smuggling, social security fraud and misappropriation of money owed in tax could not be pressed.

Mr Ruiz-Mateos has in the meantime rebuilt an international business empire with interests in food, construction, property and hotels.

Although Spain's constitutional court decided 10 years ago that the government was within its rights in expropriating Rumasa, he has continued a relentless campaign for redress. Holidaymakers on Spanish beaches this summer were treated to the sight of a yellow aircraft trailing a banner which read: "Rumasa – 14 years".

French youth rediscovers an old way of learning

Apprenticeships are enjoying a small renaissance, writes **David Buchan** in Paris

Amid all the gloom about France's record unemployment rate – 12.6 per cent in September and forecast to rise further this autumn – the country's apprenticeship schemes provide a ray of hope. But while a record 21,600 young people signed up to such schemes in September, it is still just a small ray of hope. France has only 300,000 apprentices, compared with 1.6m in Germany.

One of the beacons of this hope is the Aforp centre, the professional training scheme run by metalworking industries in the Paris region. The Aforp centres were founded in 1961 largely to teach North African immigrants, then flooding in to work in fast growing French industries, how to read and write. Only in the past few years have they taken on new importance, and gained substantial government backing, as a means of redressing the mismatch between what French schools give the young and what French industry wants from them.

Recruitment at the five centres around Paris has leapt 38 per cent in the past two years to 1,700. Aforp's director, Mr Arnaud Frémond, says 80 per cent of his young charges end up with a professional qualification and 85-90 per cent of them get a job. This is a far higher success rate than in the country as a whole, where one out of four youths below the age of 25 is jobless.

"We achieve this with pupils who were not the best to begin with and who would probably have failed had they stayed in ordinary schools," says Mr Frémond. Most of the 15- to 16-year-olds who come to the Aforp scheme have had some problems to do with application or discipline at their regular state school.

But once at Aforp, the apprentices have plenty to motivate them. They benefit from what Mr Frémond calls an "inductive" approach to learning, alternate weeks of technical training at Aforp and factory experience at their sponsoring companies. They receive a small salary rising from 25 per cent of the minimum wage for a 16-year-old to 75 per cent for a 21-year-old, as well as a wide range of marketable job skills. Last week, for instance, Mr Gilles Chaveau, a former Dassault engineer who helped develop the Rafale fighter and who now teaches at Drancy, was showing André Steve, a lanky apprentice, how to make plastic shapes which he puts to use when he works every other week for Eurodisney.

But the biggest handicap, says Mr Frémond, is the image of the apprenticeship in France as something suitable only for garage mechanics, or at least the "slow stream" of the country's youth.

The 1789 revolution threw out the ancient system of corporate guild training of apprentices in favour of a universal, generalist education for all. Only in 1919 were apprenticeships reintroduced, and only in the past few years have they "become more honourable", explains the Aforp director. It is now possible to get a university-level engineering degree by apprenticeship.

The pace at which apprenticeships can be expanded is inevitably limited by the willingness – not great in the current climate of economic stagnation – of companies to sponsor apprentices. But the recent growth in apprenticeships shows in a modest way how France is at least adopting a more German approach to industrial training. All the more important if it is shortly to lock itself into monetary union with its eastern neighbour.

Madrid marches further into Nato

By David White

In a rare example of co-operation, Spain's governing centre-right Popular party and the opposition Socialists have agreed on a joint position to be put to parliament today in a two-day debate on the country's full integration into a new look Nato.

Backing from the Socialists, who in the early 1980s opposed joining the alliance in the first place, guarantees the support of about 90 per cent of parliament for change, under which Spain will join the new-style military set-up as a full participant.

The Communist-led United Left yesterday accused the main parties of mounting "a Nato pincer movement". It argues that military integration flouts the terms of the referendum which confirmed Spain's membership of the alliance 10 years ago.

That referendum, called after the Socialists changed their mind about Nato, stipulated that Spain would stay outside the military command structure. Continued membership was also pegged to a ban on nuclear weapons on Spanish territory and a reduction in the US troop presence.

Controversy over the changed stance was stirred last week by press allegations about "secret" negotiations to allow US personnel and equipment back to air bases following their withdrawal four years ago.

Both the Spanish defence ministry and the US embassy have strongly denied any such plan. The embassy said, however, that the US air force had held "technical level" talks on the possibility of providing transiting aircraft with logistical and refuelling support from the air base at Zaragoza.

A renegotiated bases agreement in 1988 allowed the US to keep aircraft and personnel at Zaragoza, but the US decided to withdraw in 1992 as part of a general reduction in Europe.

Spain's policy switch follows the appointment late last year of Mr Javier Solana, former Socialist foreign minister, as Nato secretary-general. He has pressed for Spain to take a full part in the new organisation based on joint task forces. He told a mostly military gathering in Madrid last week: "If we do not do it now, there will not be another opportunity."

One obstacle to Spanish integration, Nato's Gibmed command, based in the British colony of Gibraltar, appears to have been removed, with the alliance expected to eliminate this and other "fourth level" commands.

Still to be resolved, however, are arrangements for the Canary Islands. Local politicians, on whose support Mr Aznar counts, are adamant they should be under Spanish orders and not those of the Iberlant command which is based in Portugal.

MIDDLE EAST ECONOMIC CONFERENCE

Israel upset at Cairo spy claim

By Sean Evers in Cairo

Egypt's justice ministry yesterday admitted it had arrested an Arab Israeli businessman abducted outside his hotel last week. Egypt accused him of spying.

Israeli officials yesterday immediately asked Mr Warren Christopher, US secretary of state, to intervene on behalf of Mr Azam Azam, 35.

The arrest cast a shadow over Israeli-Egypt relations and attempts to improve economic ties through the third Middle East and North Africa economic conference. Mr Christopher yesterday attended the opening of the conference.

Until yesterday it was believed that Mr Azam had been kidnapped. Egypt's interior ministry had denied reports that he had been seized by agents of the Mukhabarat, Egypt's intelligence service.

Yesterday Al-Gomhuria, an official Egyptian government newspaper, claimed state security investigations had shown that Mossad, the Israeli secret service, had recently sent Mr Azam, one of its "prominent members", to work in Cairo with a subsidiary of the Israeli/Egyptian joint venture textile company, Tefron.

A senior Israeli official, travelling with Israel's delegation to the Cairo conference, described the arrest as a "scandal".

"Today it is the front page story in most of the Egyptian newspapers the day the conference opens – Why?"

The Israeli official said: "This is not good for our relations with Egypt, and it is not good for us."

Mr Azam, technical manager of Tefron Egypt Textiles, is an Israeli citizen of Druze origin – a small Arab minority in Israel – from a village in the Galilee. He has been employed by Tefron since 1989.

Mr David Levy, the Israeli foreign minister, held a breakfast meeting with Mr Amr Moussa, his Egyptian counterpart, yesterday morning, and discussed the arrest.

According to the Israeli official, the Egyptian foreign minister assured Mr Levy that he would provide information relating to the case "very soon".

The Egyptian government press said Mr Azam also recruited an Egyptian work colleague, Mr Emad Ismail, to join Israel's intelligence agency.

The two are accused of spying for a foreign state and delivering information aimed at undermining Egypt's economic, political and military interests in exchange for a large sum of money.

A leading Israeli businessman, travelling with his country's delegation to the conference, said: "Israelis are fed up with our relationship with Egypt. No one in Israel will believe that it is a real story, they will see it as another excuse to pick on Israel."

Egypt in 1979 became the first Arab state to sign a peace treaty with Israel, which one Egyptian minister described as a "long cold" peace.

Tefron, an Israeli underwear exporter, initiated a joint venture with an Egyptian company to establish a plant in Cairo, which now employs about 200 Egyptian workers.

US secretary of state Warren Christopher with Irish counterpart Dick Spring in Cairo yesterday Reuter

Hopes for Mideast economy 'require land-for-peace deal'

Hopes of integrating and enriching the economies of the Middle East through cross-border trade and investment will not be fulfilled unless Arab-Israeli peace negotiations resume on the land-for-peace basis rejected by Israel's hardline government, the third Middle East and North Africa (Mena) economic conference was told yesterday.

The Cairo conference, following on from Mena summits in Casablanca in 1994 and Amman last year, got off to an inauspicious start with the Egyptian authorities confirming they had arrested a senior Israeli manager at a rare Egyptian-Israeli textiles joint venture in Cairo on suspicion of spying, and with a stand-off between Israel and the Arabs over the final communiqué.

President Hosni Mubarak of Egypt, opening the conference, said "as long as comprehensive peace on all tracks is not firmly and irreversibly established among us, we will not reap the benefits of economic integration".

Mr Warren Christopher, US secretary of state which co-sponsors the Mena process with Russia, backed by the European Union, said of the near moribund Arab-Israeli peace negotiations that "each side must win and be seen to win".

Mr Dick Spring, foreign minister of Ireland which holds the six-month EU presidency, drew two ovations from the 2,000 businessmen from more than 70 countries at the conference by insisting on land-for-peace as the formula which was gradually succeeding in delivering detente to the region.

In a reference to the nine-months long Israeli blockade of the semi-autonomous occupied territories which has reduced the Palestinian economy to prostration, Mr Spring said: "It is of vital importance that the Palestinian people see the benefits of peace, and this should happen without further delay."

Closure of the territories, eased by Israel last weekend, is the point at issue in the row over the conference communiqué. Israel refuses to accept Arab demands that the declaration commits it to lifting the blockade, imposed after four Islamist suicide bombings in Israel in February and March.

Senior Arab officials rejected this security rationale, saying that the bombers came from Hebron, the only large West Bank town still under Israeli control and focus of the current impasse in the Israeli-Palestinian negotiations on the Oslo peace accords.

Mr Christopher said he believed "a full set of very specific understandings on Hebron is at hand". But senior Arab officials cautioned against hopes that the conference would provide the showcase for a breakthrough on Hebron.

Indeed, while the Casablanca and Amman summits – Cairo has been downgraded to a "conference" – held out the prospect of regional integration including Israel, this gathering is concentrating on pan-Arab integration within the international economy.

"There are 23 countries in this region, 22 of which are Arab," Mr Youssef Boutros Ghali, Egyptian minister of state for the economy, said in an interview.

"If five of those countries integrate, that's integration. If that includes Israel, that's nice, but it's irrelevant to the concept. Let's continue with regional economic integration, and when [Israel] learns to conform to internationally accepted forms of behaviour, welcome."

David Gardner

INTERNATIONAL NEWS DIGEST

Credit rating for Lebanon

Analysts from Standard & Poor's, the US credit rating agency, arrived in Lebanon yesterday to start a first-time assessment of the country's credit standing. They will be followed, in the next couple of weeks, by representatives from Nippon Investors Service, a Japanese rating agency, and Moody's, S&P's main US competitor. The ratings are likely to be released early next year.

Some observers from the securities industry were surprised by the Lebanese decision. Although a credit rating usually reduces the borrowing costs of the rated entity, Lebanon is believed to belong to a minority of exceptions – also including countries such as Brazil – which have little to gain from an official grade.

"Investments in Lebanon are currently based more on perceptions than on reality," said Mr Walid Kaba, executive director of MedInvest Associates, a London-based financial consultancy. "A rating will make investors focus more on the fundamentals, which are less rosy than the perception appears to be."

Mr Kaba believes overseas institutional investors – such as specialised emerging markets funds – are most likely to see their enthusiasm tempered. "The bullishness of expatriate Lebanese and Arabs [a vast majority of investors in Lebanon] will be less affected," he said.

Analysts' estimates of what the rating will be vary between Egypt's Ba2 (on Moody's scale) and Jordan's Ba3 – both belonging to the "speculative" category. *Samer Iskandar, London*

Threat to caviar market

The world caviar market could collapse as a result of over-fishing and environmental threats to sturgeon fish in the Caspian sea, the Worldwide Fund for Nature warned yesterday. The environmentalist organisation called for co-ordinated management of fisheries, including annual quotas on catches, laws to protect spawning sites in rivers, and controls on volumes and quality of caviar in processing plants.

WWF also urged traders to support the creation of a labelling scheme for caviar produced from sustainable sources by agreeing to market only caviar produced according to the terms of the scheme. It said illicit traders used false documents to disguise their exports as legal, and that in the US, five out of 23 samples had been falsely labelled.

Iran and Russia account for 90 per cent of caviar production. The world's biggest importers are the European Union, Japan, the USA, and Switzerland. But the report said production in the Commonwealth of Independent States had become a chaotic "free-for-all" since the collapse of the Soviet Union. Poaching and a failure to enforce whatever fishing restrictions existed helped to account for a 75 per cent drop in the official sturgeon catch in the Caspian Sea. *Leyla Boulton, London*

'Exercise can damage heart'

Too much exercise can damage your heart according to US scientists. Blood tests on 23 athletes showed that six had evidence of heart injury after a gruelling race. The sharp changes in the blood of two were "similar to those considered diagnostic of a heart attack," Mr Nader Rifai, associate professor of pathology at Harvard medical school, said at the American Heart Association's 69th scientific conference yesterday.

In addition, ultra-sound scans on the athletes, who had just completed a triathlon, showed that five of the six also had abnormal heart motion, and another sign of possible damage to the heart muscles. The triathlon had involved swimming 2.4 miles, cycling 112 miles and running a 26-mile marathon all on the same day.

Mr Rifai warned, however, that the test results did not mean that moderate exercise is a bad idea. "We want to see if we can determine a level of physical activity at which heart damage begins to occur," he said.

The 23 athletes included both men and women, with an average age of 38. All were healthy with no evidence of artery disease. The six who may have been damaged by the race had high levels of a protein called troponin T after the race where there was none before. Troponin T is usually a sensitive indicator of the death of heart cells. *Daniel Green, New Orleans*

Iraq seeks Turkish support

Mr Tariq Aziz, Iraq's deputy prime minister, met Mr Necmettin Erbakan, Turkey's Islamist premier, yesterday for talks in Ankara where he called on Turkey to prevent "foreign powers influencing our military and political relations". Mr Erbakan began trying to improve Turkey's poor relations with its Middle Eastern neighbours after he took office in July. He is particularly anxious to resume trade with Iraq, a big trading partner before the United Nations imposed sanctions in 1990. Turkey claims it has lost $30bn of trade with Iraq. Mr Aziz stopped off in Ankara en route from Moscow where he sought to win Russian support for an end to sanctions.

However, Baghdad is also angry at Turkey's efforts to maintain good relations with the west. It still allows US-led air patrols enforcing a no-fly zone in northern Iraq to use bases in Turkey, and has expanded a defence agreement with Israel. Ankara also hosted US-organised talks between northern Iraq's warring Kurdish factions. *John Barham, Ankara*

WORLD FOOD SUMMIT

Doubts over action on hunger

By Maggie Urry in London and Reuter in Rome

Mr Jacques Diouf, head of the United Nations Food and Agriculture Organisation, said yesterday he was confident this week's World Food summit would strengthen the fight against hunger.

He was speaking on the eve of the Rome summit, at which leaders will pledge to reduce the number of people suffering chronic hunger or malnutrition to half the current 840m by 2015.

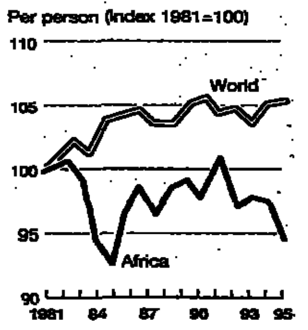
However, many observers may be wondering what the point of the summit is. The text of the declaration to be signed by representatives from around 100 countries, has already been agreed.

As Mr Jacques Verceuil, an agricultural economist at the FAO, the body organising the meeting, told a recent conference in London, the summit "will not pledge any new money, and will not establish any new machinery".

Although 196 countries were invited to the summit, which continues until Sunday, only half have accepted. The invitation went to heads of state and government, but not all countries will be sending their top people.

Food production

Per person (Index 1981=100)



Source: FAO

President Fidel Castro of Cuba is among the heads of state attending the summit .

What the declaration says, after compromises were found to iron out more than 800 points of disagreement, is: "We consider it intolerable that more than 800m people throughout the world, and particularly in developing countries, do not have food to meet their basic nutritional needs. The situation is unacceptable."

The statement sets a goal of "reducing the number of undernourished people to half the present level no later than 2015".

Many fear the declaration will lead to little action. In 1974 a similarly prestigious summit agreed to eradicate hunger "within a decade".

But then, according to Mr John Seaman, of Save the Children Fund, there was a sense of international responsibility for solving the problem. Now, he said: "The World Food Summit represents the new agenda of the first world." Instead of global responsibility, the new agenda was "individual responsibility" for each government.

He believed the goal of halving the number of hungry people within 20 years was attainable, but feared governments lacked the will to carry it out.

Mr Seaman's views are typical of many aid agencies. They point out that changes in agricultural policies in North America and Europe to reduce surpluses mean world grain stocks are at a low level. In an emergency, such as that in Zaire, there is not the grain available to relieve hunger.

There is a more optimistic view, held by the FAO and by government officials. They expect the declaration's seven commitments will raise awareness of the problem and result in action. These commitments encapsulate a belief that freer trade will make food more available for all, and a promise to implement policies aimed at ending poverty.

They argue that the summit does not need to pledge money, because throwing money at a problem will not solve it. And there are too many, rather than too few, agencies providing help, some of which are duplicating other's efforts.

Mr Verceuil said the summit would "express a will to put an end to a bad situation".

"Hunger has been part and parcel of the human condition for 10,000 years," he added.

"We are the generation which may see that come to an end."

Efforts to end starvation 'based on guesses'

By Deborah Hargreaves in London

World hunger statistics are misleading because of the unreliable way they are collected and they could lead to the wrong policy response, a leading Swedish adviser claimed yesterday.

Mr Peter Svedberg, professor of development economics at Stockholm University, who advised the Swedish government on the food summit, challenged data from the UN's Food and Agriculture Organisation which shows 43 per cent of the people in Africa are undernourished.

Mr Svedberg says the FAO relies too heavily on government statistics for food production which are often unreliable, especially in Africa, where conflicts in many countries hinder the gathering of data.

"When you measure people's height and weight and compare it to other regions, it shows that twice as many people people in south Asia are undernourished than in sub-Saharan Africa," Mr Svedberg said.

"Governments could be convinced by the FAO data to concentrate their development aid on Africa, but this is based on no objective analysis and in many cases, just on guesses," he said.

The Swedish government has insisted the final declaration from the food summit include a clause demanding an overview of the methods and data used to estimate under-nutrition by the UN.

Mr Svedberg also challenged the FAO's assumption that hunger levels differ because of per capita food production, implying that the chief remedy is increased food output. This does not take into account the urban poor, who are not primarily dependent on food production, he said.

NEWS: ASIA-PACIFIC

Sumitomo alleges fraud by ex-trader

By William Dawkins in Tokyo

Sumitomo Corporation yesterday filed a fresh criminal complaint alleging fraud against its former star trader, Mr Yasuo Hamanaka, who once dominated the world copper market.

The Japanese trading group's new fraud complaint alleges that Mr Hamanaka sold $770m worth of fictitious warrants to buy copper to Sumitomo's Hong Kong subsidiary in October and November 1994. He is said to have used the cash to cover up losses on unauthorised copper deals.

Shortly after Sumitomo issued the writ against Mr Hamanaka yesterday – its second suit against the disgraced dealer – Tokyo district prosecutors indicted him with four separate charges of forgery.

Sumitomo revealed yesterday that it was discussing with prosecutors a third case against Mr Hamanaka for breach of trust. They all relate to $2.6bn of losses on unauthorised deals, allegedly carried out by Mr Hamanaka, which rocked the world copper market and embarrassed one of Japan's most prestigious companies when they were uncovered last June.

The fraud allegation raises the penal stakes against Mr Hamanaka, once known as Mr Five Per Cent for the proportion of the world copper market he was said to have controlled, and may be seen as strengthening Sumitomo's claim that he alone was responsible for the catastrophe.

Mr Hamanaka came unstuck when his attempt to drive up copper prices drew him into an ultimately futile battle with US hedge funds, which forced the price down. Copper dealers, however, remain sceptical that one man operating alone could really have made a loss of that size.

Mr Hamanaka was due to be released yesterday, the end of the three-week maximum detention period for a criminal suspect.

The forgery charges come three weeks after his arrest on suspicion of faking company letters, following a first complaint by Sumitomo, which sacked him soon after the losses were revealed by an internal audit. His lawyer has said he will plead guilty to forgery, but denies trying to corner the world copper market.

Sumitomo's decision to file a fraud complaint gives prosecutors the right to keep him in prison for another three weeks, while they decide whether to respond to the complaint by bringing formal fraud charges. That would expose him to double the penalty for mere forgery, up to 10 years in prison, if convicted. Japanese public prosecutors pride themselves on obtaining convictions on almost all the charges they bring against suspects.

The prosecutors' forgery charge states that Mr Hamanaka faked two letters in January and September 1994 to Merrill Lynch, the US securities house, and to its subsidiary which trades on the London Metal Exchange.

He is also accused of having forged his manager's signature twice in autumn 1993 to enable him to draw money from Sumitomo's accounts department to fund his unauthorised deals.

Gwen Robinson on the return to Japan of the world's financial institutions

Foreigners jump Tokyo 'Big Bang' gun

The rapidly rising structure of the Hongkong and Shanghai Banking group's new Japan headquarters in Tokyo's financial district of Nihonbashi is probably the most conspicuous testimony of foreign commitment to Japan's financial future.

"We've been here [in Japan] for 130 years, and we've decided the next 130 years will be important ones," says Mr Clint Marshall, HSBC's chief executive officer in Japan.

Undeterred by Japan's moribund stock market and patchy economic recovery, foreign financial institutions have been steadily increasing their presence in Tokyo this year, lured partly by the weaker yen and promises of financial deregulation.

The government's announcement on Monday of sweeping financial and administrative reforms to be implemented, "Big Bang" style, by the year 2001, has generated expectations in financial circles that foreigners may accelerate their return.

Liberalisation is a vital factor in the current expansion of foreign financial institutions, says Mr Marshall. "Things are changing, the question is the pace... But there's a very genuine desire on the part of the finance ministry for Japan to be a major financial centre."

However, the ambitious deregulation package is seen by many partly as a public relations effort by Mr Ryutaro Hashimoto, the prime minister, who, as leader of a minority government, may find the reforms hard to push through – particularly those that will facilitate foreign competition and squeeze weaker Japanese institutions.

But for the powerful finance ministry, which stands to lose some of its formidable control over the finance sector when – and if – the reforms go ahead, there is a more compelling reason to support the package. That reason is what analysts have tagged the "hollowing out" of Japan's financial markets, led by the downsizing and withdrawal of foreign institutions.

Even without further liberalisation, however, foreign securities operations, such as NatWest Securities Japan, have been re-entering the Japanese equity market. The Tokyo equities unit of Britain's National Westminster Bank, which gave up its trading seat on the Tokyo Stock Exchange in 1993, announced last month its intention to re-enter Japanese equity trading operations by purchasing the seat of Citicorp International Securities of the US.

Under the Japanese system which limits trading seats on the Tokyo equities market to 124, the queues are growing among foreign financial institutions wanting a piece of the action. NatWest bid against eight others for the Citicorp seat. At least three other securities houses are considering Japanese equities trading operations.

Why all the interest, when Japanese equity prices, in yen terms, are nearly 60 per cent below their peak 1989 levels, trading volumes are miserably low and the Nikkei 225 average seems unable to rise significantly above the 21,000 level?

Mr Patrick Murray, chief executive officer of James Capel in Japan, believes the effect of the weaker yen, rather than promises of liberalisation, has been a great incentive for foreign institutions to expand or re-enter. Many companies are looking at Japan as a regional base that has become a more competitive location than it ever was.

"It's no longer as expensive, probably 40 per cent cheaper in most currencies than it was a year or two ago, so if you need a trading post in this zone, it's no longer daft to think of Tokyo."

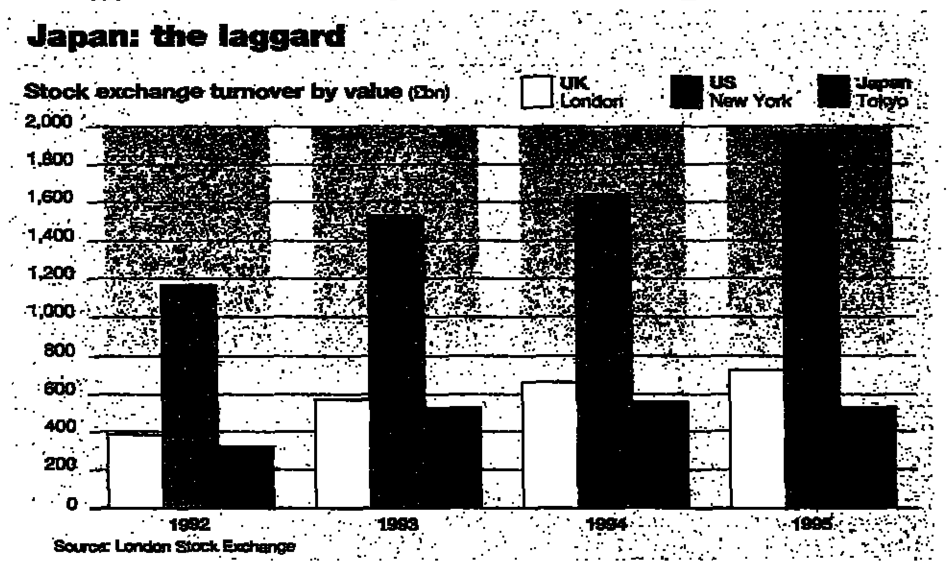
Mr Stephen Romain, vice president for financial services at Korn Ferry International, Japan, agrees that Japan's domestic market is not necessarily the frontline target for foreign institutions: "People look at Asia and just know they have to grow there, and Japan is only about 50 per cent of Asia."

The number of foreign securities houses operating in Japan has increased by nine in the last 18 months to 67. Foreign banks too are likely to step up their entry to Japan in expectation of benefits from the promised financial reforms. Since mid-1994, the number of foreign banks has increased from 88 to 96.

"We've decided it's becoming crucial to rebuild our capabilities in Japanese equities," said Mr Shichiro Hattori, president of NatWest Securities Japan. "We've been trying to become a major company in the equities business worldwide and we don't want to have to say we can't deal with Japanese equities when our global customers ask us to." NatWest will more than double its staff from the current 30 to 70 or 80 over the next year.

Some observers, however, see Tokyo's new popularity among foreign institutions in more practical terms. "For the first time, there's real corporate financial business to be had in Tokyo," says Ms Alicia Ogawa, financial analyst at Salomon Brothers. "If you're an Amro, or a Deutsche Bank and want to prove to the rest of the world you're truly global, you just have to have Tokyo on your letterhead alongside London and New York, even if you're not going to make any money."

Japan: the laggard



Source: London Stock Exchange

ASIA-PACIFIC NEWS DIGEST

Tokyo happier about economy

The Japanese government yesterday upgraded fractionally its official assessment of the general health of the economy. A monthly report by the government's Economic Planning Agency (EPA) said private sector demand showed "additional firmness", led by higher consumer spending reflected in retail and car sales.

The report's wording was deliberately more optimistic than last month, when the EPA said there was a moderate recovery in consumer spending with "slightly weak moves" in some sectors. It also dropped an earlier call for continued low interest rates and instead called for "appropriate" economic management.

But separate data from the EPA yesterday suggested the corporate sector was still cautious on the outlook for private demand. Industrial machinery purchases, often an indicator of capital investment and consumer spending, fell by a heavier-than-expected 10.2 per cent from August to September. *William Dawkins, Tokyo*

Australia plea on media curbs

The Australian Competition and Consumer Commission, the competition watchdog, has urged the federal government to remove constraints on foreign ownership of media assets, saying "discrimination against foreign media ownership appears to conflict with policies that allow and encourage international competition in other sectors".

Its comments came as the deadline closed on Monday for media groups' opinions on the government's "issues paper" on media ownership ahead of planned legislation.

The result of the debate could be crucial to the future ownership of John Fairfax, Australia's leading newspaper publisher, whose biggest shareholder is Mr Conrad Black, the Canadian media proprietor. *Nikki Tait, Sydney*

Vietnam move on repatriation

Vietnam has for the first time allowed aircraft carrying Hong Kong boat people voluntarily returning home to fly directly to the southern commercial hub of Ho Chi Minh City. The move will help speed the clearance of detainees before Hong Kong reverts to Chinese rule on July 1 next year.

The United Nations High Commissioner for Refugees (UNHCR) in Hanoi said yesterday that a Vietnam Airlines flight carrying about 200 Vietnamese would leave Hong Kong on Friday and that there would be more. Until now, Vietnamese sent home under a UNHCR-sponsored voluntary repatriation scheme have only been able to enter the country through Hanoi. *Jeremy Grant, Hanoi*

Jakarta property loan fears

Mr Sudradjad Djiwandono, Indonesia's central bank governor, has warned the country's banks against rapidly expanding credit to the property sector after a sharp rise in such loans this year. Local newspapers quoted Mr Sudradjad as saying bank loans to the sector were 26 per cent higher in the first nine months of the year than the same period last year.

Analysts say the outlook for the sector is uncertain, with many developers, particularly those involved in residential property and satellite city developments, reluctant to lower prices despite oversupply in the market. *Manuela Saragosa, Jakarta*

NEWS: WORLD TRADE

'What we are seeing is the slow demolition of Germany as a production centre'

Germany slipping in export league

By Frederick Stüdemann in Bonn

Germany's position as a leading exporter is under threat as its exports increasingly fail to match the growth in world trade, the German wholesale and foreign trade association, BGA, warned yesterday.

Mr Michael Fuchs, BGA president, said trade figures in the first six months, during which exports and imports rose 2.2 per cent, were below expectations. The BGA forecasts an improvement in the second half, giving an increase in trade of 4.1 per cent, or DM1.47bn ($984m), for 1996.

While such figures offer evidence of an export-driven recovery, Mr Fuchs warned that, as world trade was forecast by the OECD to grow by 7 per cent, the figures were also evidence that Germany was weakening as an exporting country.

"One does not need a calculator to work out that Germany is losing market share," he said.

Mr Fuchs said Germany's trade position had been affected by several factors. In the first six months poor economic performance in those countries with which Germany trades the most had weakened demand for imports.

The strong D-Mark, which has since eased after a particularly high rate of exchange in 1995, was a further factor.

But there were also home-grown reasons. The profit situation in Germany was appalling, Mr Fuchs said. British industrial and service sector companies' profits per unit labour cost were roughly 10 times those of German companies.

"If profit margins in Great Britain are 10 times higher than in the Federal Republic, then no one should be surprised when increasingly more companies are transferring their production abroad," said Mr Fuchs.

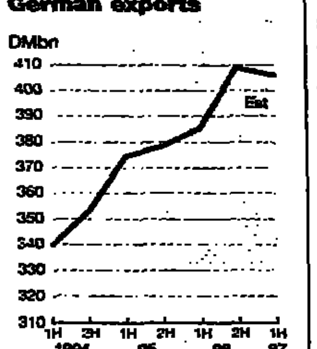
Poor business conditions at home have driven up German investment abroad and have been a significant factor in the sharp fall in foreign investment in Germany. In 1995 investment abroad by German companies was DM28bn, double that of 1994.

In the first six months of 1996 there was a net decline in investment by foreign companies in Germany as DM8.6bn was withdrawn from the country and only DM8bn was invested. "What we are seeing here is the slow demolition of Germany as a production centre," said Mr Fuchs.

On a more positive note, German trade with central and eastern Europe has risen by 15 per cent to around DM33bn. Germany now exports more to central and eastern Europe than to the US.

Editorial Comment, Page 11

German exports



Source: Federal Statistics Office, BGA

Brussels stalls on genetic maize

By Lionel Barber in Brussels

The European Commission is today expected to bow to the consumer lobby and delay a decision on whether to allow US exports of genetically modified maize access to European markets.

A delay would reflect the increasing influence of consumer and environmental arguments in Europe in the wake of the crisis over BSE, or mad cow disease, and its suspected links to human brain disease.

But it could lead to trade strains with the US, according to Sir Leon Brittan, EU trade commissioner. He has complained about the length of time it has taken the EU's three scientific committees to reach a decision on the safety of the genetically altered maize.

Sir Leon's position has grown weaker inside the Commission following President Jacques Santer's decision to side with Mrs Ritt Bjerregaard, the EU environmental commissioner. They want a delay until scientists are absolutely certain that there are no side-effects from the maize, which is resistant to herbicide.

Mr Santer is particularly sensitive to consumer safety issues because the Commission is under attack from the European Parliament for allegedly suppressing scientific evidence pointing to the risks of mad cow disease spreading to humans.

Sir Leon, however, has been pressing for a decision on the genetically altered maize since last June. He has warned that failure to act could lead to the US filing a complaint with the World Trade Organisation.

The EU has already filed a complaint with the WTO over the US Helms-Burton law which penalises foreign companies from "trafficking" in assets confiscated by the Castro regime. Sir Leon is trying to defuse the dispute with the Clinton administration and does not want to fight on two fronts.

EU improves telecoms talks offer

By Frances Williams in Geneva

The European Union yesterday presented a "substantially improved" offer on liberalising its telecommunications market, as part of a joint effort with the US to jump-start stalled talks at the World Trade Organisation.

Washington is expected to present its own revised offer today. The EU is also due to table formally its offer at the same time.

Top trade and telecoms officials from more than 50 countries are currently in Geneva to put the talks on track for a deal by the deadline of February 15 next year.

The negotiations were originally due to conclude last April but the US refused to sign up to a multilateral accord on the grounds that offers from other nations, mainly in Asia and Latin America, were not good enough.

Spain's agreement to bring forward full telecoms liberalisation from January 2003 to late 1998 is the main improvement in the EU's revised offer, which is conditional on similar improvements by trading partners.

Mr Karl Falkenberg, the EU's chief negotiator on services, said yesterday that the inclusion of Spain – the EU's fifth largest telecoms market – meant that all major EU telecoms markets would be open from 1998.

Ireland will open its market from 2000 while Greece and Portugal have until 2003.

The EU offer also brings forward the liberalisation of mobile services in all countries to 1998 (with certain specific provisions for Ireland and Portugal) and eliminates all restrictions on satellite services.

Foreign investment curbs in Spain and Belgium have been removed, along with indirect foreign investment restrictions in France. In addition, Belgium will no longer insist on limiting the number of operating licences granted, meaning there will be no limits in any EU member state.

The revised US offer is expected to drop restrictions on the landing of submarine cables by foreign companies but Mr Falkenberg said he did not know what concessions, if any, Washington had in mind on satellite and international services.

Both areas proved stumbling blocks during the negotiations in April and Geneva trade officials say little tangible progress has been made on them since.

However, US satellite companies that then objected to a deal have apparently softened their stance and US officials recently indicated that satellite services could be opened to foreign competition provided other countries made better offers.

Mr Falkenberg said yesterday that, while Brussels was looking for a number of specific improvements in offers from Asian and Latin American countries, it was taking "a realistic view" of what was possible.

NZ to sidestep EU spreadable butter duty

By Terry Hall in Wellington

The New Zealand Dairy Board is switching production of its spreadable butter to a European plant to avoid duties imposed by the European Commission.

This follows a move by Brussels to charge New Zealand importers of the butter NZ$3,400 (US$2,413) a tonne in extra duty after a recent investigation by UK Customs and Excise.

The investigation concluded that spreadable butter was not eligible for reduced import duty on the grounds it was not "directly manufactured" from milk and cream.

New Zealand government officials and the Dairy Board are appealing against the Commission's duty ruling.

Mr Neville Martin, Dairy Board spokesman, said they had also made arrangements to produce the butter – made from "nothing but pure cream and salt" – in a plant somewhere in Europe to avoid having to pay the duty. He was unable to say where the plant was, but said the butter would be made in Europe until the issue was resolved.

The Dairy Board was also considering taking the matter to the World Trade Organisation.

New Zealand is keen to resolve the issue as spreadable butter has proved popular in the UK, which is absorbing all the country's 5,000 tonnes-a-year output. Anchor Foods, the Dairy Board's subsidiary, has also invested substantial sums in advertising and promoting spreadable butter over the past five years.

However, Mr Martin said the high EU duty made it uneconomic for New Zealand to continue to export the product directly.

Mr Martin said he would not disclose the way the soft butter was made as "our rivals would love to know".

However, it was as much butter as any other. "It is made from pure cream. It is just that this butter is soft and ordinary butter isn't."

The move has forced the only New Zealand factory making spreadable butter to scale down its production, while a second factory being built to manufacture the product may have to switch to making ordinary butter.

WTO urges US to stop going it alone

By Frances Williams

Trading partners yesterday urged the US to abandon unilateral measures to enforce trade policy and to show renewed leadership in promoting the multilateral trading system.

Reviewing a report on US trade policy by the World Trade Organisation secretariat, WTO members also lambasted US moves to penalise third countries doing business with Cuba, Iran and Libya.

Urging an end to "contradictory signals" from Washington, they complained that the US was still threatening and using unilateral measures despite its stated commitment to multilateralism and frequent recourse to the WTO's dispute settlement procedures.

The WTO report, which hands out barbs and bouquets in roughly equal measure, says Washington's use of multilateral, regional and unilateral approaches "remains a source of tension" in the international trading system.

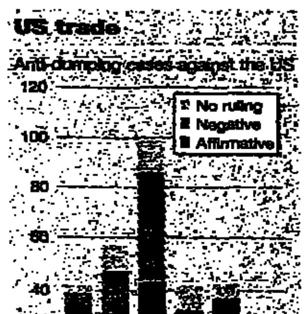
The report gives the US generally high marks for implementing the various WTO agreements and for being an enthusiastic user of the WTO's disputes procedure. Since the world trade body's creation in January 1995, Washington has brought 20 disputes, a third of the total, and has implemented WTO rulings.

In addition, the number of US anti-dumping and countervailing investigations launched has fallen sharply, which the WTO report attributes partly to US economic recovery. Trading partners yesterday said they wanted reassurance that the restraint would prove durable.

The WTO accords have made the US trade regime more predictable and stable, the report says, while noting that certain aspects continue to cause concern. It singled out:

- Government procurement, where "Buy-America" and "Buy-State" provisions still represent "serious constraints" on external competition.
- Textiles, where textile exporting countries yesterday attacked the US over the WTO accord on phasing out textile and clothing quotas. They said the heavy "back-loading" of liberalisation violated the spirit of the agreement which calls for a gradual process of adjustment over 10 years. In response, Mr Jeffrey Lang, deputy US trade representative, said the US might be prepared to go further but that depended on exporting countries' willingness to open their markets wider, a demand they have so far refused.
- The "extra-territorial" application of US laws, including those penalising foreign investors in Cuba, Libya and Iran, and the use of trade sanctions to enforce US domestic environmental laws in third countries failing to use dolphin-friendly fishing methods or turtle-excluder devices in shrimp harvesting.

US trade



Source: Trade Policy Review

NEWS: AMERICAS

US economy gets clean bill of health

OECD's optimistic forecast is tempered by call for a rise in interest rates, writes Gerard Baker

The US economy remains in robust health, with no prospect of a serious downturn for at least two years, according to the Organisation for Economic Co-operation and Development. And in spite of a continuing fall in unemployment, there are few signs of significant cost pressures on prices.

In its annual report on the United States published yesterday, the OECD paints a picture of an economy in a near-perfect growth equilibrium, expanding at or near its long-term trend rate, with only a few concerns on the distant horizon.

All the more curious, then, that the OECD should call on the US Federal Reserve to raise interest rates, as "an insurance against any re-emergence of upward trends in inflation." The recommendation seems to many economists an unduly cautious one and it was hardly surprising that the Clinton administration, flush with victory in last week's presidential election, should hurry to condemn it.

Mr Joseph Stiglitz, the chairman of the president's council of economic advisers, described the analysis that underpinned the call for a tightening of monetary policy as "mistaken", since it failed to acknowledge changes in the operation of the labour market in the last few years.

He said these had lowered the natural rate of unemployment, enabling employment to continue to expand without re-igniting inflation. "The combination of low unemployment and falling inflation is only possible because the natural rate of unemployment has fallen," he added.

The OECD believes that capacity constraints have been building and remain dammed up, even though there is scant evidence that they are affecting wages. And while it accepts that the natural rate of unemployment has fallen since the late 1980s it argues that the current jobless rate is still below the new natural rate. But the main reason for the difference appears to be one of timing: the bulk of the OECD's report was prepared over the summer, when the available evidence suggested that the US economy was expanding rapidly and that wage pressures had started to intensify. Since then, the economy has cooled and cost pressures have eased again.

US economy: looking at the future

	1995	1996	1997
GDP (annual % change)	2.5	2.4	2.1
GDP deflator (annual % change)	2.5	[illegible]	2.1
Unemployment (% of workforce)	5.6	5.5	5.5
[illegible]	[illegible]	[illegible]	[illegible]
Current account balance ($bn)	-148	-159	-163
(% of GDP)	-2.0	-2.1	-2.1
[illegible]	[illegible]	[illegible]	[illegible]
10-year Treasury Bond rate (%)	6.6	[illegible]	[illegible]

Source: OECD

Mr Peter Jarrett, the OECD's staff economist who prepared the report, acknowledged that the case for higher interest rates was "not all that clear-cut". But he argued the balance of risks was still asymmetrical and favoured a gentle tightening. There was little disagreement about the rest of the report, however, which is largely very positive.

The OECD applauds the Federal Reserve for engineering a "soft landing" by raising short-term rates in 1994. It points out that in terms of employment growth, the US continues to out-perform all the leading industrial economies, thanks largely to its highly flexible labour markets.

Investment remains strong as a result of a rapid increase in corporate profits, and the overhang in business inventories that developed during the first half of 1995 has now been corrected. The public sector's deficit has been falling steadily as the share of general government consumption in national income has dropped by 3 percentage points over the last decade. The current account deficit has also fallen, though the dollar's recent strength might now reverse that process.

The immediate outlook is for growth in gross domestic product this year of 2.4 per cent, slowing slightly to 2.1 per cent next year. Inflation, as measured by the gross domestic product deflator, is expected to be lower in 1996 and 1997 than in any year since 1965. Unemployment is set to remain at around 5.5 per cent.

The report emphasises the need for progress on longer term problems. The biggest is the likely deterioration in the public finances over the next few years. The federal deficit seems set to rise again next year after several years of decline, and may reach $400bn (3.3 per cent of GDP) within a decade. The OECD urged the administration and the new congress to renew their efforts to contain the cost of entitlement programmes such as social security and Medicare, the medical insurance system for the elderly.

Though the labour market is among the most flexible in the world, the report says the risk of increasing polarisation of incomes is a serious one and urges further efforts to reduce income inequality. But it says the increase in the minimum wage approved this year is not the correct way to achieve that goal.

It expresses scepticism about the radical changes in welfare support passed by the congress and approved by the president this year, arguing that while they may improve worker incentives, they will shrink further an already limited safety net.

In a discussion of the US system of corporate governance, the report concludes that the case for the abandonment of the traditional shareholder value-based system is unproven. It says the recent "downsizing" of American companies, far from demonstrating the weakness of the market-enforced focus on shareholder value, is evidence of "the dynamism of the US business sector, and the acuity of competition in product markets".

Clinton eyes budget deal

By Patti Waldmeir in Washington

Mr Bill Clinton signalled an important concession to Republican leaders yesterday, suggesting he might drop his opposition to a constitutional amendment requiring a balanced federal budget.

The results of last week's Congressional elections made it likely that the amendment – a central plank of the Republicans' Contract with America – would be passed with or without presidential approval. Republicans made a net gain of two seats in the Senate, where the amendment previously failed by one vote. But Mr Clinton was clearly keen to appear conciliatory on the issue.

As congressional leaders gathered at the White House to plan the agenda of a second Clinton presidency, senior Republicans said they did not expect substantive results from the meeting, called to discuss plans to balance the federal budget and other legislative business, including campaign finance reform.

President Clinton again stressed the need for bipartisan co-operation. "We're in this boat together and we have to paddle it together," he said. "That's what the American people want."

He suggested that he could accept a balanced budget amendment so long as flexibility was built in to deal with economic recessions. "We don't want to wind up in a recession raising taxes of throwing unemployed people off health care because we're trying to reach a balanced budget," he said.

Mr Newt Gingrich, the Speaker of the House, also sounded a conciliatory note, saying: "We'll seek to find every possible common ground to work with him for the betterment of America."

In another gesture of apparent conciliation, the Democratic National Committee was yesterday expected to announce tougher rules governing campaign contributions.

Meanwhile, Mr Clinton continued to struggle over his new cabinet, delaying a holiday. Mr George Mitchell is understood to have emerged as the front-runner for the post of secretary of state.

Guatemala steps up peace talks

By Johanna Tuckman in Guatemala City

Guatemala's government and leftwing Guatemalan National Revolutionary Unity (URNG) guerrillas are hurriedly negotiating the final stages of a peace settlement, with both sides eager to end Central America's longest-running and last remaining armed conflict before the end of the year.

On Monday President Alvaro Arzú told the Ibero-American Summit in Chile that all remaining details will be tied up in time to sign the final peace agreement on December 29. The basis for a ceasefire accord has been agreed.

The race is now on to negotiate the legalisation of the demobilised guerrillas as a political force, constitutional reforms and a timetable for their implementation. The war has lasted 36 years and cost an estimated 140,000 lives

The acceleration of the UN-brokered negotiations follows a breakdown in talks. The government suspended them on October 28, arguing that trust had been broken by the involvement of a guerrilla leader in the kidnapping of a member of one of the nation's richest business families.

The guerrillas had to give ground, backing away from their initial reluctance to agree a ceasefire before discussion of their entrance into the political arena. Frightened of becoming an anachronism in a region where armed revolutionary movements have gone out of fashion, the URNG is aware that its future depends on the end of the war.

The government finally agreed to restart talks on November 8, when guerrilla leader Mr Rodrigo Asturias accepted political responsibility for the kidnapping by resigning from the negotiating table. Mr Asturias, son of Nobel prize-winning novelist Mr Miguel Angel Asturias, was probably the most powerful URNG commander and a likely candidate for 1999's presidential elections.

The government is anxious to get the accord out of the way before anything happens to give further comfort to its hardliners or provoke guerrilla combatants to lose their faith in peace.

The Arzú administration is also desperate for a treaty to wave in front of international funders and potential private investors. Without it Mr Arzú will be forced to revise his vision of turning Guatemala into a demilitarised modern capitalist state.

AMERICAN NEWS DIGEST

EU backs UN vote on Cuba

The UN General Assembly with the support, for the first time, of the entire European Union, last night called for an end to the US trade embargo against Cuba. The margin, which has increased every year since the issue came up in 1992, was an overwhelming 137 to 3 with 25 abstentions. Israel and Uzbekistan joined the US in opposition, while Japan was among those abstaining.

Britain, Germany and the Netherlands, which abstained last year, joined the other EU members in support of the resolution, motivated by Washington's attempts to punish non-American companies trading with Cuba by invoking the Helms-Burton act. *Michael Littlejohns, New York*

Court rejects US phone plan

The Supreme Court yesterday spurned a request by federal regulators and long-distance telephone groups to revive rules opening local phone monopolies to competition. Deregulation of the $100bn local phone market will continue to depend largely on rulings by state regulators.

The Federal Communications Commission and the long-distance companies AT&T and MCI Communications had asked the court to reinstate the rules after a US appeals court in St. Louis last month suspended key parts until it rules on a challenge to the measure. It is a victory for the Baby Bell phone companies, other local carriers and state regulators seeking to overturn the FCC's "interconnection" rules on the grounds that it had exceeded its power and usurped state authority to issue policies on pricing and other matters. *Reuter, Washington*

Mexico City oil plant ablaze

More than 15.9m litres of petrol were burning yesterday in a northern suburb of Mexico City following an explosion on Monday at a storage plant owned by Petróleos Mexicanos (Pemex), the state oil monopoly. The fire, which Pemex officials said was caused by a leaking valve, is the second big accident to afflict Pemex in less than six months. In July, an explosion at the Cactus complex in the southern state of Chiapas crippled one-third of Mexico's gas processing capacity.

Fifteen people were taken to hospital after Monday's explosion, some with severe burns. Health authorities closed down schools near the burning petrol plant, and warned that Mexico City's chronic smog problem would worsen. *Leslie Crawford, Mexico City*

■ The Bank of Canada said yesterday it was continuing its policy of driving down interest rates with a quarter point cut to 3¼ per cent, in its discount rate. *AFP, Ottawa*

All 46 telecom bidders set for licences

By Alan Cane

The UK is set to licence all 46 companies which bid to compete with British Telecommunications and Mercury Communications in offering a full range of telecoms services between the UK and the rest of the world.

The list includes AT&T of the US, Eurotunnel and Global One, the strategic alliance between Deutsche Telekom and France Télécom. The awards, which will be effective from January 1, marks the largest single move towards opening up the UK's international telecoms market to competition.

Up to now, companies have been able to operate only by leasing lines from BT and Mercury.Now they will be able to build and operate their own infrastructure.

The UK is the first country to open its international market fully to competition in this way. It is a gamble which could generate substantial inward investment but which could also result in a significant fall in the UK's telecoms revenues outside the UK.

It could also defuse opposition by AT&T, the largest US long-distance carrier, to the proposed $20bn takeover by BT of MCI Communications of the US. AT&T suggested that the deal should be blocked by the US authorities because the UK market was not yet fully open.

The Department of Trade and Industry wants to issue the licences in a single block before the start of the Christmas break. At the same time, the UK is relaxing regulations which have protected UK operators against anticompetitive behaviour by competitors outside the UK.

The government accepts that BT and Mercury are likely to lose market share to the new competitors, arguing that a liberal regime will attract investment in the UK as a key telecoms routing point and encourage a culture of telecoms expertise in Britain.

The risks are that monopoly operators in other countries could take unfair advantage of the new rules: "In theory, the UK operators could be at a disadvantage to other countries from the end of the year," the official said.

The principal danger is an imbalance in the prices UK operators pay their counterparts outside the UK for delivering calls outbound from the UK and the prices they charge operators outside the UK for delivering inbound calls.

These prices, the international accounting rates, are artificially high, often many times cost.

Dismay over European Court's judgment on challenge to 48-hour week rule

Industry appeals for new government lead

By David Wighton and Richard Wolffe

The European Court's decision over the 48-hour working week caused widespread concern among members of the Confederation of British Industry who warned that implementation of the directive would raise business costs, undermining the competitiveness of the UK economy.

The CBI said the directive's biggest direct impact would be on smaller companies but that many other businesses would face a heavy burden of negotiation and form-filling.

Although the CBI said it was disappointed at the court's decision, it offered little support for the government's threat to block other measures in the current EU intergovernmental conference unless the UK was exempted from the directive.

The CBI, holding its conference in Harrogate, northern England, attacked the directive as "gobbledegook" but urged the government to start an immediate consultation with business over how it could be implemented.

Most delegates from large companies said the directive would have little direct impact on them. Mr Alan Curtis, managing director of product supply at carmaker Rover, said the company had no permanent requirement for employees to work long hours and that most other large companies were in a similar position.

But many delegates said the directive raised serious concerns that other, more damaging, regulations could be imposed from Brussels in the same way. Businessmen said the government's first priority should be to explain to industry how the new regulations would operate.

Mr Adair Turner, CBI director-general, urged the government to issue a consultative document as soon as possible to ensure that employers are consulted about the options and that maximum flexibility is retained.

The call was echoed by Mr Mike Fell, manager of AB Ports' Hull docks, who said it was unclear which industries would be affected. "We just don't know whether the transport exemption would include us. We need a clear steer from the government."

For most businesses, the main impact would be the need to renegotiate existing staff agreements, according to Mr Graham Hall, a director of Yorkshire Electricity. He said most companies had no interest in overworking their staff, but the rule's introduction would add expensive bureaucracy.

Mr Turner said: "Even if all the available exemptions are taken up, the directive will still require many employers to participate in time-consuming negotiations in order to continue flexible working arrangements."

Mr Graham Webb, whose company has a chain of hairdressing salons in the UK and a hair products business in the US, said the directive was unnecessary for good employers but that "bad employers will always be bad".

His main concern, however, was that other such measures could be imposed by Brussels "under the cover of health and safety". This would hurt job creation he said, pointing to the strong growth of employment in the US where such restrictions are unheard of. "When I told my US business partner about the directive he thought I was joking. He couldn't believe it."

Mr Fell, of AB Ports, said the imposition of the directive undermined the commitment by Mr Gordon Brown, the shadow chancellor, that the main opposition Labour party would veto any extension of majority voting in the Social Chapter.

Most delegates conceded that the exemptions under the directive and the ability to average the maximum working week over several months would significantly reduce its harmful impact.

Commissioner Padraig Flynn: under pressure to extend rules

Working overtime against directive

Mr John Major, says he will block the European Union's intergovernmental conference until other countries agree to exempt Britain from a 48-hour working week. Is this pre-election bluster, a clever negotiating tactic or the first stirrings of another crisis between Britain and the rest of Europe?

Britain's prime minister has strong feelings on the 1993 EU working-time directive. He denounced it several times this year at EU summits in Turin and Dublin, warning of a hostile response if the European Court of Justice ruled against Britain.

But the UK government feels strongly about other issues in the IGC negotiations. It has pledged to reject all extension of qualified majority voting; to block the incorporation of the Western European Union, the EU's embryonic defence arm, into the EU; and to seek changes in the 1957 Treaty of Rome to end "quota-hopping" in the fishing industry.

Other countries have tabled "unnegotiable demands". The Luxembourgers want to keep their EU commissioner. The Germans want more effective decision-making in justice and home affairs. The French want the same for the EU's common foreign and security policy. But no shopping list is quite as long or negative as Britain's.

Still, tabling demands at the IGC costs nothing since the real negotiations have yet to begin. The Irish presidency will unveil the draft text of a revised Maastricht treaty at next month's EU summit in Dublin. Horse-trading is unlikely to start until next spring at the earliest under the Dutch presidency. By this time, Mr Major may have been voted out of office.

Of course, Mr Major could still win re-election and dig in over his twin demands to secure a British exemption to the maximum 48-hour working week and an end to qualified majority voting under health and safety legislation under the 1986 Single European Act.

Most EU governments are unsympathetic because they see Mr Major's approach as further proof of Britain's a la carte approach to Europe. In spite of high unemployment in Europe, most remain committed to minimum social standards in employment policy and see the working-time directive in that light.

Lionel Barber

Door may be opened to more laws

By Caroline Southey in Brussels

Britain has suffered a double defeat as a result of yesterday's European Court of Justice ruling on a maximum 48-hour week. Instead of having a piece of EU social legislation knocked down by the court, the UK has opened the door for the Commission to put forward a raft of fresh social legislation.

The interpretation handed down by the court is so wide that the European Commission could be forgiven for introducing a package of new social legislation under the pretext that is safeguarding the health and safety of EU workers.

"The court has endorsed the Commission's decision to stray beyond the traditional definition of health and safety as something to do with hard hats," said an EU official. "It has given us a good, broad interpretation of what is meant in the treaty."

The Commission was coy yesterday about the possible ramifications of the ruling. Mr Padraig Flynn, European Commissioner for social policy, determined to avoid an immediate new rumpus with the UK, refused to be drawn on how the Commission might exploit the court's decision.

As the European Commission celebrated its victory in Brussels yesterday, EU officials mulled over the chequered history of Britain's challenge to the 48-hour week directive, Caroline Southey writes.

Some were quick to point out that Britain should be blaming Baroness Thatcher, the former British prime minister, for the present impasse over social legislation. It was she who signed the single market act in 1986 which contained article 118a – now the centre of the dispute. This states that member states "shall pay particular attention to encouraging improvement, especially in the working environment, as regards the health and safety of workers . . ."

But the real row started in 1993 when EU social affairs ministers started debating the Commission's proposal, based on article 118a, on a 48-hour working week.

During heated debates, and much publicity, British ministers fought a successful campaign to weaken the legislation. "Countless concessions were made to the British," said one official, including exemptions for workers in the transport sectors, junior doctors and priests. In addition, the directive was made virtually voluntary.

There was outrage, therefore, when Britain failed to back the proposal when the vote was finally taken. Instead, its minister abstained. But the coup de grace was to come. Once the decision had been taken, the British government promptly announced it was referring the issue to the European Court of Justice.

For many in Brussels there was poetic justice in the court's judgment yesterday.

An EU official stressed there were no "sinister plans" afoot. "Don't expect a sudden sea change. We are not going to invent proposals for the sake of inventing them," the EU official said. But, he added, "that does not mean the ruling might not have an impact down the line."

The heart of the matter was Britain's contention that the working time directive should be annulled because the Commission had chosen the wrong legal basis for the legislation. Article 118a of the single market act says EU-wide action on health and safety issues is permissible if it sets out to safeguard workers' health and safety. Laws can be passed under this article by qualified majority voting in the council of ministers, the EU's main decision-making body.

The UK argued that the Commission should have used broader treaty provisions, such as Article 100a of the single market act which allows for the harmonisation of all EU laws including social policy regulations. Such decisions require unanimity in the council of ministers.

The court was unequivocal. The directive had been properly adopted on the basis of Article 118a, with one exception – that the minimum weekly rest period must in principle include Sunday. That, the court ruled, should be annulled as there was no explanation why Sunday was more closely connected with health and safety than any other day of the week.

The court called for a broad interpretation of what is meant in the treaty by the words "working environment", "safety" and "health".

It went on to cite the World Health Organisation, to which all member states belong, which defines health as a "state of complete physical, mental and social well-being that does not consist only in the absence of illness or infirmity".

"That," said the EU diplomat, "is a fairly crushing defeat for the UK."

The ruling has given the Commission the green light to come forward with plans to extend rules on working time to workers excluded from the directive. Mr Flynn will present a white paper next month on how the rules can be applied to workers such as those in the transport sector, doctors in training and employees in prisons and hospitals.

Mr Flynn is under pressure from the parliament to give these workers "equivalent protection" to those presently covered by the working time directive. However, Commission officials said the extensions will not be blanket ones.

This cautious approach reflects a change of mood in the EU about social legislation in general. "The 48-hour week directive is a relic of the past. It came into being during a phase of great social engineering under Mr Jacques Delors. The whole attitude has changed. It would not stand a chance today," said Mr Zygmunt Tyszkiewicz, secretary general of Unice, the EU employers' federation.

UK NEWS DIGEST

Banks warned on health loans

The government will not provide extra guarantees to banks considering loans to hospital trusts for private finance initiative projects, a senior government official has warned.

However Mr David Steeds, chief executive of the Private Finance Panel, said that such commitments were "unnecessary" because trust liabilities are adequately ensured by existing legislation. Mr Steeds' comments, in an interview with the Financial Times, mark the latest attempt by the government to persuade banks to commit funds to the PFI in health and help break the logjam in providing new hospitals for National Health Service trusts.

Although over 25 hospital projects worth more than £20m ($33m) have preferred bidders, no contract has yet been signed, in large part due to fears by banks about the security of their loans for the lifetime of the 25-year to 30-year PFI contracts. But Mr Steeds, who last month took over the panel, a Whitehall agency designed to promote PFI across all sectors of the government, said that "mountains were being made out of molehills" by the banks.

He added that the Residual Liabilities Act, rushed through parliament earlier this year to try to assuage banker concerns, had "settled any uncertainty" about who pays if an NHS trust is dissolved. *Mark Suzman*

■ GAMBLING

Casino deregulation closer

Casino deregulation came a step closer yesterday with government proposals to allow limited advertising, more locations in which casinos can operate and more flexible membership rules.

Mr Timothy Kirkhope, a Home Office minister, yesterday released the second casino consultation paper this year, following one in February. The consultation is part of the government's promise to ease regulations for the £2.5bn ($4bn) a year industry.

The British Casino Association, the main industry body, yesterday welcomed the proposals but regretted the length of time consultation is taking. Responses must be in by the end of January and look unlikely to become law before the next general election, expected by next May. There are 119 casinos in 53 different regions but population changes have led the Home Office to conclude that there is room for others.

It proposes an increase of 20 regions instead of the 13 mooted in February. The new areas include east London and London Docklands and conference towns such as Bath, Eastbourne and York. *Scheherazade Daneshkhu*

■ GAS INDUSTRY

Call for code of practice

The Gas Consumers Council has called for a national gas industry code of practice to ensure that the introduction of competition in the domestic gas market proceeds smoothly.

Ms Sue Slipman, the council's director, said findings of a survey conducted with the Consumers' Association showed many residential gas users were confused about the new structure of the industry and the implications of switching from British Gas to a new supplier.

The survey, conducted in the first pilot area for competition in south-west England, found the main reason for changing supplier was lower prices (84 per cent), although 22 per cent also said that "bad experiences" with British Gas were a factor. *Robert Corzine*

■ PUBLIC SECTOR

'Bankruptcy' forecast

Excessive borrowing by the government combined with low public investment and a run-down in state assets will leave the public sector technically bankrupt by the end of next year, according to a report by Coopers & Lybrand, the accountancy firm.

The report says that the combined net worth of central and local government – the difference between its assets and its liabilities – has fallen from £243bn ($395bn) at the end of 1989 to £36bn by the end of 1995. It predicts it will decline to about zero by the end of 1997.

It warns that tax cuts in this month's Budget would exacerbate the deterioration in the government's balance sheet. It calls instead for the government to tighten fiscal policy by between £8bn and £14bn, mainly by raising taxes but also by cutting public spending.

The report blames the deterioration on the government's policy of borrowing to finance current spending rather than borrowing soley to invest in the country's asset base. *Graham Bowley*

■ INWARD INVESTMENT

Acquisitions at two-year low

Companies outside the UK spent only £800m ($1.3bn) buying companies in the UK during the third quarter of the year, the lowest amount spent on acquisitions for more than two years, according to official figures released yesterday.

The Office for National Statistics said that the number of overseas acquisitions of UK companies dropped by a third between the second and third quarters of the year. The drop in the value of acquisitions was much bigger, because of big deals in the second quarter such as the purchase of Seeboard by CSW, the US utility.

British companies meanwhile spent £2.2bn buying companies overseas in the third quarter, down from £3.8bn in the second quarter. The number of deals fell by a quarter over the same period. *Robert Chote*

Confederation of British Industry hears currency warning

Bank chief attacks Emu 'dash'

By Richard Wolffe and David Wighton

Mr Eddie George, governor of the Bank of England, the UK central bank, yesterday warned that European monetary union would inflict serious long-term economic damage if countries joined a single currency before they were ready.

He challenged what he called "the present hectic dash for the line" towards Emu in 1999 and accused some European Union states of being "tempted to take artificial stimulants in order to get there".

Speaking in Harrogate, he said that European politicians should not relax the convergence criteria for Emu. If they were relaxed – and economic convergence failed – there could be "serious tensions, including possibly persistently higher unemployment in some areas and pressure for protection".

He added: "I can only hope that they weigh the economic risks seriously. If they disregard them, there can be no assurance that monetary union will lead to the political cohesion that they have in mind."

His comments were echoed by Sir John Hoskyns, chairman of Burton Group, the clothing retailer, who argued that the costs of Emu were higher than its benefits.

"Is there an economic and business case for UK membership of a single currency?" he said. "Nothing like it has ever been attempted before, the economic risks seem to me to be huge, the costs and dislocation will be substantial and the value-added is zero."

But in the keynote debates on the European Union yesterday, the majority of CBI opinion ranged firmly in favour of Emu and against political prevarication over the issue.

Mr Niall Fitzgerald, chairman of Unilever, condemned the government's stance on monetary union, arguing that British businesses would suffer because the UK was being marginalised in the EU.

Mr Fitzgerald, who chairs the CBI's Europe committee, said it would be "disastrous" if the government continued to favour the opt-outs negotiated at Maastricht and failed to support Emu.

"We have to recognise that our Maastricht manoeuvring has tried the patience of our partners to the point which they now frequently ignore our incomprehensible mutterings. In the longer term, opting out is not an option," he said.

The CBI also heard that the single market would be undermined if monetary union failed to proceed. Mr Peter Sutherland, chairman and managing director of Goldman Sachs International, said there was "a real threat to maintaining the single market into the future in the absence of a single currency".

"The right decision for the UK is to work enthusiastically for the setting up of a single currency and to join it when it comes into existence. Britain has never been better equipped than now to embrace an opportunity such as this."

The CBI debate followed the results of a survey of more than 1,600 businesses, published earlier this week, revealing that 43 per cent felt a single currency would benefit their own business. But the majority of those surveyed also said they had insufficient information to plan for Emu.

Euro banknotes may be plastic

By George Graham, Banking Correspondent

The new euro banknotes could be made of plastic if Australia's central bank is successful in a joint venture with a polymer film company based in Cumbria, in north-west England.

The Reserve Bank of Australia, which now prints all its notes on polymer film rather than the traditional paper, has teamed up with UCB Films of Wigton, Cumbria, to sell its technology.

Participants in the joint venture, called Securency, have already talked to the European Monetary Institute with a view to putting polymer film into the competition for euro banknotes which are to be available from 2002 if Emu goes ahead.

The Reserve Bank says the polymer notes last four times as long as paper and can be recycled. That means substantial cost savings for central banks.

The Australian banknotes: polymer versions are said to last four times as long as paper ones

Australia has already exported the notes to Singapore, Western Samoa, Brunei, New Guinea and Kuwait, whose humid climates can be particularly damaging to paper notes. Officials say other big note issuers, including the US, have expressed interest.

Central banks are constantly looking for ways to beat counterfeiters. Foil inserts, holographic printing, special watermarks and variable colour inks have all been used, adding considerably to the cost of printing.

The Reserve Bank's note printing works, which helped to develop the technology for printing on UCB's films, said traditional security features can be used on polymer notes.

In addition, the Australian notes feature a transparent window which makes them much harder to photocopy. Different denominations of note have differently shaped windows – helping the partially sighted to identify the notes.

Television/**Christopher Dunkley**

A dearth of dramatic ideas

Could it be that the BBC, in its determination to be a major player in the television of the next millennium, is even now busy throwing out the baby with what its top brass regard, rather casually perhaps, as a lot of tepid bathwater? The BBC still makes more outstandingly good material than any other programme maker in the world. Yet if you look specifically at drama there now appears to be a marked tendency for the BBC to leave anything daring or dangerous to Channel 4.

In drama terms ITV is virtually a lost cause. Thatcherite dogma ensured the introduction of the notorious auction system so that market forces replaced all other factors and British commercial television – once so enlightened that its drama led the BBC, and indeed the world – became a factory for aerosol drama series about policemen, firemen, nurses and detectives. The only courageous ITV dramas in the last few years have been *Cracker* which, we are told, is now finished and which, however good, was another detective series, and the first run of *Band Of Gold*. (Which appalled some ITV people: stories about prostitutes, wasn't that the Greek derivation of the word "pornography"?) Series two was less shocking, safer, and much like all the other drama on ITV these days.

On the rare occasion when you do find a one-off drama on ITV, as with *Kiss And Tell* on Saturday, it turns out to be a dry run for a series. On what subject? Murder of course. And the detective – blind? No. In a wheelchair? No. A fat chef? No, those are old hat. This time it is a rather attractive young woman (gosh!) who works under cover with a microphone neatly taped between her breasts. But why does she bother if it is not transmitting to her back-up team? Well the plot needs it: how else would the murderer work out in the climactic scene that she is an undercover detective? Mind you, that did not win the week's "Unlikely Bosom Factor" prize which went to another ITV detective series, *Sharman*, for a line delivered by a top-heavy tart in a London boozer. "'Is type look at a cleavage and see a letter rack," the poor actress was required to say in a strong cockney accent.

No one denies that the BBC still makes high quality drama. On Sunday BBC1 showed the first of a new six part adaptation of *The Prince And The Pauper*: cunningly set in Tudor England, partly by the use of locations, partly using modern technology; well acted; beautifully costumed; suitable for umpteen generations to watch together without embarrassment. This was the very archetype of what the dimmer supporters of the BBC have always thought the corporation should stick to. On Friday BBC1 finishes another run of *Dangerfield*, a competently produced series which combines police work, medical practice and the country locations of vet dramas by telling stories about a police doctor in a country town.

In a fortnight BBC1 begins another run of *Hetty Wainthropp Investigates* with Patricia Routledge playing the rural self-taught sleuth in a series which owes debts to Margaret Rutherford, the Will Hay comedies, and Agatha Christie. A look at the opening episode – in which Hetty fails to identify a poison pen writer while her husband and teenage male sidekick succeed so well in a honey trap that the disgusted suitor refuses to pay – shows how suitable this stuff is for watching while eating toasted teacakes and drinking strong Darjeeling. But does it do anything to extend television's ambitions beyond providing visual Horlicks for the nation?

We may be directed towards *Crocodile Shoes* which begins a second series tomorrow on BBC1, and certainly this is not a typical police/medicine/detective drama. Jimmy Nail, the club singer from Newcastle who landed a leading role in *Auf Wiedersehen, Pet* in 1983 and now comes before us as producer, writer, star and singer in his own series, is a most unusual phenomenon. But that does not make *Crocodile Shoes* a great series. To have the world of country and western music as a background makes a change, but when you come down to it this is another crime drama and one which spends an inordinate amount of time listening to music (doubtless good promotion for Nail's expanding singing career) and making nostalgic and seemingly irrelevant trips back to Newcastle.

Single drama used to be the area in which the BBC introduced new talent and gave established talent its head, but nowadays slots such as Screen Two tend to contain highly exportable material which looks only slightly different from what you see on commercial television. Last week's Screen Two, *Look Me In The Eye*, was a little different. It had all the surface gloss of the 1990s urban nightmare movie, complete with street life backgrounds from the King's Cross area of London, and a peculiar resemblance to Antonioni's 1966 film *Blow Up*. But does anybody know what it was supposed to be about? Nobody I have met.

The two most interesting dramas in the past 10 days have both been on Channel 4. *Bantams* was the winner of the Lloyds Bank Channel 4 Film Challenge which is designed to encourage new script writers and directors. Writer Justin Villiers had one young soccer fan catch another by the wrists as he rolled over the edge of the stadium roof. The life of the suspended fan did not exactly rush past him, but truths of an embarrassing sort did emerge. There was not a detective or a nurse in sight, but quite a lot of thinking seemed to have occurred. There is more from the Film Challenge tomorrow night.

The Fragile Heart is a three part drama by Paula Milne who wrote *The Politician's Wife*. Here admittedly we are once again in the world of the operating theatre, but Milne's themes are medical ethics and modern medical conundrums, from iatrogenic disease to intellectual property protection. There are strengths – yet another superb performance from Nigel Hawthorne, for one – but also weaknesses. Some of the research lies on the surface instead of being properly dug in, and the stone-age feminism is tiresome. Yet what makes it so much more worthwhile than 90 per cent of the drama on television is that instead of policemen and handbrake turns it is actually concerned with ideas.

It is heartening to have Channel 4 transmit such material, but disheartening to find the BBC top brass marching blithely towards the new dawn of digital broadcasting with an organisation ready to compete for business and ratings as vigorously as any commercial outfit, yet abandoning (or so it seems at the moment) this very plank which was once so vital to its schedules. Perhaps it will prove a temporary aberration. Let's hope so, because there will be little point in having a market-beating BBC if it no longer produces the very things which made its preservation so important.

Musical Theatre/**David Murray**

Martin Guerre refurbished

Most London readers will be vaguely aware that Cameron Mackintosh's latest product, the musical *Martin Guerre* by Boublil & Schönberg (famous for their international money-spinners *Les Misérables* and *Miss Saigon*), opened in July to somewhat disappointing reviews; and that since then, there has been extensive and strenuous rewriting, which resulted in a "second premiere" last Monday. There is, after all, a lot of money at stake.

On an occasion like this, a critic's business seems to be less a matter of personal judgment than of amateur speculation about the new show's commercial future. I should confess at once to not having seen the first version of *Martin Guerre*, nor anything else by Boublil & Schönberg – nor, indeed, either of the successful films (French and American) which traded upon the well-documented historical tale, and undoubtedly prompted B&S's musical treatment.

But I *do* know that both films generated their drama from piquant uncertainty: whether the 16th-century "Martin" who returns from the wars to "his" long-lost wife and natal village is really that man. (Historically, he wasn't.) Early on, even for the first version, the creators of *Martin Guerre* decided to jettison that ambiguity – perhaps because they feared that if the show became a success, later audiences would anticipate the outcome.

Still, they might have asked themselves how well the original story could grip if we – and the wife – know from the start that "Martin" is a faker. The answer is, not much; and the authors of the show – more and more of them, as the revising went on – decided to emphasise the little community itself. Now, suddenly property rights loom large, and the father-in-law's need for an heir, and even Protestant-Catholic hostilities.

The new story is clearly told, practically spelled out on signboards, and put across with maximal energy by everybody; and yet it is terribly diffuse. Since most of the show is sung, not spoken, words are at a premium. The bald facts are announced, but nothing much is explored or developed. Least of all in the music, which is almost ballad-free – at cruel cost to the central pair, "Martin" and Bertrande.

Schönberg's gift is chiefly for football-style chants and worksongs. Everything else comes in short-breathed, repetitious two-bar phrases, over two or three chords; for emotional climaxes, the performers just sing them higher and louder, with extra hammering from the orchestra. In fact I suspect that the orchestrator, Jonathan Tunick, has had to work overtime to turn this raw material into something resembling music. The few passages where the score ventures into slightly more sophisticated harmony must be his work.

The show *looks* good, colourful but not fancy, and a competent cast works tremendously hard to keep it going. There is very little dancing, but plenty of stamping (once in a seven-beat pulse, which is novel) and manic group-miming – sowing, digging with invisible spades, pretending to slaughter Protestant enemies. It is not boring. Some people will quite like it.

Juliette Caton and Iain Glen as the central pair, Bertrande and 'Martin' — Alastair Muir

London Jazz Festival

Innovation and evocation

Perverse maybe, inspired possibly: the programmers of the Oris London Jazz Festival choose not to play it by the book. There are free jazzers, acid ravers, and Cape Verdean crooner on the bill, and last Saturday at the Royal Festival Hall, pop singer Elvis Costello could be found intoning Shakespearean sonnets alongside soprano Sarah Leonard, in front of a 15-piece band.

The central work, *Terror and Magnificence*, was specially commissioned from classical saxophonist John Harle, who used the architect Hawksmoor as his muse. Sadly, the result is decidedly mock-Tudor.

A musical fantasy which combines early polyphony, improvising saxophones and dark medieval imagery in its lyrics, sounds good on paper. But Harle's arrangements, and corny use of strings, brass and percussion recall the pleasant 1970s soul music of the Love Unlimited Orchestra rather than "sanctity and profanity" in the Dark Ages.

Saxophonist Andy Sheppard showed us some demons in his extemporisation. A hollering duet with Harle on a simple, plaintive theme, "Hunting The Hare", was a high point in a concert which was loud but neither terrible nor magnificent. Even the initial novelty of Elvis's balladeering role wore thin as his adenoidal voice has few attractions when not sneering at a cruel (modern) world.

Harle himself is a brilliant classical technician who can tame the unruly soprano sax like few others. But as a composer in the third stream of music he would do well to suppress delusions of grandeur which only detract from his genuine creative ability.

Garry Booth

The Festival Hall was again the venue for Sunday's "Tribute to Miles Davis and Gil Evans" in which their three famed LP collaborations, *Miles Ahead*, *Sketches of Spain* and *Porgy Bess*, were wondrously recreated by the London Sinfonietta with trumpeters Randy Brecker and Guy Barker bringing their virtuosic talents together to evoke the spirit of Evans' writing and Davis' playing.

"Evocation" is the appropriate word for this was an interpretation of three jazz classics, not an imitation. With Markus Stenz a diligent conductor of the enlarged Sinfonietta (boosted by several leading jazz musicians), this rare orchestral performance of Evans' works was a stirring experience. It is rare to be able to savour at first hand the subtle textures of his writing but they were paraded gloriously at this concert.

The two featured soloists, sharing the Miles Davis role, played their crucial parts impeccably. The American Brecker, in the past too often embroiled in jazz-rock and fusion ventures, asserted his position as a commanding, creative improviser capable of much subtlety and nuance as well as power. The Britisher Barker was no less impressive. Now a player of international stature, his trills, half-note effects, gurgles and use of mutes added the tonal colour so vital to faithful interpretation of Gil Evans' compositions.

The only question of the enterprise was the curious absence of any solo flugelhorn, for on *Miles Ahead* this was the only instrument Davis played. Hearing these classics performed so sympathetically prompted the thought that the real star of the evening was the much-missed innovator Gil Evans.

Kevin Henriques

Theatre/**Ian Shuttleworth**

The Bard reduced to linguistic gumbo

Director James Roose-Evans has apparently waited nearly 50 years to stage his ideal production of Shakespeare's late romance, *Pericles*. Is it, one wonders, an anti-climax after all this time? Is he satisfied now that he has created a show which often feels like a theatrical version of *The Golden Bough*?

The play is problematic enough to begin with, but is given even greater difficulty in this manifestation. Its story is so diffuse that Shakespeare inserted frequent passages of synopsis to move from one episode to the next. As the narrator, Ben Okafor's Nigerian accent and cadence patterns unfortunately obscure as much as his lines may enlighten: his idea of emphasising items in his story-so-far passages is to point keenly at various spots on the stage. Okafor recites Shakespeare's defence of having citizens of various far-flung Mediterranean cities speak the same language, while Roose-Evans includes airs or chants in Scots Gaelic, Welsh and liturgical Greek (the melody of the last sounding curiously suggestive of "Let the Sunshine in" from *Hair*).

Whilst the play is set in the classical world (and features the goddess Diana as a *dea ex machina*) and the production company is an offshoot of Christian arts festival Greenbelt. Bruno Santini's design gives the proceedings a Druidic feel, and Roose-Evans appears concerned to highlight the universal anthropological elements of ritual and questing in the narrative. In short, what we see and hear is a linguistic, mythic and intellectual gumbo.

After years of searching, Roose-Evans (we are told) found in Justin Butcher the perfect actor to play Pericles, Prince of Tyre – a view with which Butcher evidently concurs. He orates marvellously and throws a number of dashing shapes, especially in tempest scenes, but only begins to get down to real acting in the climactic scene of reunion between Pericles and his daughter Marina (Caroline Devlin). Criticism of Butcher is awkward, as he himself has lost a father and brother at sea; however, suffering does not of itself confer expertise. The rest of the cast vary in enthusiasm and ability from Hywel Jones' anaemic, prissy Cerimon to John Feehan's doubling of a booming King Simonides and a transvestite Bawd every bit as loud and imperious, who gets the evening's biggest laugh simply by being asked by Marina, "Are you a woman?"

Too often it feels as though Roose-Evans is more concerned with what the play represents than what it actually *is*, leaving it struggling to assert itself above a seething mass of disparate ideas and performances.

Pericles is at Riverside Studios, London W6 until December 1 (0181 741-2255).

INTERNATIONAL ARTS GUIDE

■ AMSTERDAM

CONCERT
Concertgebouw Tel: 31-20-6718345
● Tokyo Quartet: perform works by Mozart, Barber and Brahms; 8.15pm; Nov 15, 16

EXHIBITION
Stedelijk Museum Tel: 31-20-5732911
● Dick Wiarda, tekenaar in opdracht: exhibition of commissioned work produced by the Dutch draughtsman Dick Wiarda (b. 1943) over the past ten years. Included in the exhibition are some 80 drawings and a selection of prints; from Nov 16 to Dec 15

■ ANTWERP

CONCERT
Koningin Elisabethzaal Tel: 32-3-2024578
● Koninklijk Filharmonisch Orkest van Vlaanderen: with conductor Lothar Zagrosek and pianist Jan Michiels perform works by Stravinsky and Mahler; 8pm; Nov 15

THEATRE
De Singel Tel: 32-3-2483800
● Der Aufhaltsame Aufstieg des Arturo Ui: by Brecht. Directed by Heiner Müller, performed by the Berliner Ensemble. With Marianne Hoppe, Martin Wuttke, Hermann Beyer and Margarita Broich; 8pm; Nov 14, 15, 16

■ BERLIN

CONCERT
Philharmonie & Kammermusiksaal Tel: 49-30-2614383
● Sinfonie Orchester Berlin: with conductor Borislav Iwanov and pianist Susumu Aoyagi perform R. Schumann's Manfred Overture, Piano Concerto in A minor and Symphony No.1 in B major; 8pm; Nov 16

EXHIBITION
Berlinische Galerie - Martin-Gropius-Bau Tel: 49-30-254860
● Neueinrichtung der Sammlung: exhibition of works from the museum's collection. The focus is on the art movements Constructivism, Dada and Fluxus, and on the representation of nature in art; to Mar 16

■ BONN

EXHIBITION
Kunst- und Austellungshalle der Bundesrepublik Deutschland Tel: 49-228-9171200
● The Great Collections IV: Moderna Museet, Stockholm: approximately 200 works of modern art from the collection of the Moderna Museet in Stockholm; to Jan 12

■ COLOGNE

CONCERT
Kölner Philharmonie Tel: 49-221-2040820
● Wiener Philharmoniker: with conductor Sir Georg Solti perform works by Bartók, Liszt and Tchaikovsky; 8pm; Nov 15

■ DRESDEN

OPERA
Sächsische Staatsoper Dresden Tel: 49-351-49110
● La Bohème: by Puccini. Conducted by Hans-E. Zimmer, performed by the Sächsische Staatsoper Dresden. Soloists include Birgit Fandrey, Eva Kirchner and Mario Carrara; 7.30pm; Nov 15

■ DUBLIN

CONCERT
National Concert Hall - Geoláras Náisiúnta Tel: 353-1-6711888
● National Symphony Orchestra of Ireland: with conductor Enrique Batiz and violinist Chantal Juillet; Chavez, Stravinsky and Berlioz; 8pm; Nov 15

■ FRANKFURT AM MAIN

CONCERT
Alte Oper Tel: 49-69-1340400
● Hanna Schygulla and Jean-Marie Sénia: the vocalist and the pianist perform songs and chansons by Sénia based on texts by Fassbinder, Carrière, Müller, Handke, Queneau, Baudelaire, Rimbaud and others; 8pm; Nov 14

DANCE
Jahrhunderthalle Hoechst Tel: 49-69-3601240
● Le Concours: a choreography by Maurice Béjart to music by Le Bars, performed by the Ballett der Deutschen Oper Berlin; 8pm; Nov 15, 16

■ LAUSANNE

CONCERT
Théâtre de Beaulieu Tel: 41-21-6432211
● Buenos Aires Philharmonic Orchestra: with conductor Garcia Navarro and accordionist Nestor Marconi perform works by Ginastera, Turina and De Falla; 8.15pm; Nov 14

■ LEIPZIG

OPERA
Oper Leipzig Tel: 49-341-1261261
● Die Fledermaus: by J. Strauss. Conducted by Johannes Wildner, performed by the Oper Leipzig and the Gewandhausorchester. Soloists include Tremmel, Sala, Helfricht and Petzold; 7.30pm; Nov 15

■ LOS ANGELES

CONCERT
Dorothy Chandler Pavilion Tel: 1-213-972-8001
● Symphony No.8: by Bruckner. Conducted by Zubin Mehta, performed by the Los Angeles Philharmonic; 8pm; Nov 14, 15 (1.30pm), 16, 17 (2.30pm)

■ MADRID

CONCERT
Auditorio Nacional de Música Tel: 34-1-3370100
● Orquesta Sinfónica de Barcelona y Nal. de Cataluña: with conductor Lawrence Foster and soprano Barbara Hendricks perform works by Beethoven, Berlioz, Gerhard and Stravinsky; 7.30pm; Nov 15

■ NEW YORK

CONCERT
Carnegie Hall Tel: 1-212-247-7800
● Carmina Quartet: with violinists Matthias Enderle and Susanne Frank, viola-player Wendy Champney and cellist Stephan Goerner perform works by Mozart, Debussy and Schubert; 8pm; Nov 15

EXHIBITION
International Center of Photography Tel: 1-212-860-1777
● Labyrinth: Photographs of Hong Kong by Masahiko Yamashita: exhibition featuring photographs taken in 1989 and 1990 of Hong Kong by the Japanese photographer Masahiko Yamashita. He uses the contradictions of this densely populated modern city with ancient roots in the creation of his elegant and mysterious urban documents; from Nov 15 to Jan 12

■ PARIS

EXHIBITION
Musée d'Orsay Tel: 33-1 40 49 48 14
● L'Origine du Monde - autour d'un chef d'oeuvre de Courbet: exhibition retracing the history of Gustave Courbet's painting "L'Origine du Monde". Other major works included are Ingres' "Le Bain Turc" from the Musée du Louvre, "Le Sommeil" from the the Musée du Petit Palais, and Courbet's "La Source de la Loue" from the Albright Knox Art Gallery in Buffalo; to Jan 5

■ WARSAW

CONCERT
Teatr Narodowy-National Theatre Tel: 48-22-263289
● Symphony No.8: by Mahler. Conducted by Grzegorz Nowak, performed by the Chorus of the National Theatre, the Chorus of the National Philharmony, the Boys Chorus 'Alla Polacca' and the Boys Chorus of the Music Academy in Warsaw. Soloists include Hanna Lisowska, Izabella Klosinska, Tatiana Zacharezuk, Ewa Podles, Jolanta Bible, Ryszard Wróblewski, Adam Krzewski and Piotr Nowacki; 7pm; Nov 14

Listing compiled and supplied by ArtBase The International Arts Database, Amsterdam, The Netherlands. **Tel: 31 20 664 6441. E-mail: artbase@pi.net**

WORLD SERVICE

BBC for Europe can be received in western Europe on medium wave 648 kHZ (463m)

EUROPEAN CABLE AND SATELLITE BUSINESS TV

(Central European Time)

MONDAY TO FRIDAY

NBC/Super Channel:

07.00
FT Business Morning

10.00
European Money Wheel
Nonstop live coverage until 15.00 of European business and the financial markets

17.30
Financial Times Business Tonight

CNBC:

08.30
Squawk Box

10.00
European Money Wheel

18.00
Financial Times Business Tonight

Ian Davidson

Yesterday's agenda

Attention on the 48-hour week is misplaced: it should be on the new relations between business and society

It is hard to make any strategic sense out of the UK government's crusade against the European directive on a 48-hour working week.

Domestically, it looks like an attack on working people. In the run-up to an election in which the government needs every vote it can get, this must be a self-inflicted wound.

What is worse is that it seems so irrelevant, a throwback to a different era. The 48-hour working week does not look like an important problem in a world characterised by downsizing, part-time work, short-term contracts, sub-contracting, self-employment and early retirement.

In the European context, it is hard to see the advantage of digging yet another ideological ditch between the UK and its partners. In the intergovernmental conference on the development of the EU, there is already a large agenda of issues where Britain is in a small minority – often of one. But more of that later.

Some Eurosceptic members of the Conservative party may glory in this comparative isolation. But it does not put the government in a strong position to extract concessions from the other member states.

And since the UK is already threatening to block any progress in the intergovernmental conference, any new threat to block it cannot improve Britain's leverage. Worse it will reduce the willingness of the others to compromise on more important issues.

As for the 48-hour week itself, it looked last week as if the British government might be able to claim dramatic endorsement from an unexpected quarter – the European Commission. Its report on competitiveness in the EU was due to contain two graphs which appeared to show that unemployment was closely correlated with labour market regulation.

A row erupted between Commission departments. The Social Affairs directorate protested that the graphs were based on misleading figures cooked up by the Industry directorate. Since the Economics directorate sided with Social Affairs, the report will be published without the two graphs which were, however, released to the press to avoid cover-up charges.

The Social Affairs directorate is usually seen as a lobby for the European trade unions – just as the Industry directorate is seen as a lobby for industry. So the bureaucratic solution to the row is unlikely to silence the controversy.

On this occasion, however, the Social Affairs people may have the backing of the Organisation for Economic Co-operation and Development. In this year's Employment Outlook, the Paris-based think-tank discounted any direct link between unemployment and social legislation.

"Employment protection legislation has been suggested as one of the possible reasons for the high incidence of long-term unemployment in Europe," it said. "However, the weak association of [such legislation] with job turnover suggests that the high incidence of long-term unemployment does not stem from EPL inhibiting structural change."

And in another report on labour standards, it said: "There is no evidence that low-standards countries enjoy a better global export performance than high-standards countries."

If the OECD is right, the UK government is simply mistaken in asserting that the removal of the 48-hour working week is vital for the rational promotion of the liberal economy.

Indeed, the central challenge facing western economies is not the deregulation of labour laws, according to a report just published by the French Centre of Young Business Leaders (CJD). It is the development of a new relationship between business and society.

"It is quite possible," the report says, "for business to get all the flexibility it needs ... This is already happening through the expansion of precarious jobs and outworking."

The centre, with 2,000 members, warns that flexibility is not enough. "The more severe the competition," it says, "the greater the temptation to enslave man to the economy."

Competitiveness achieved in this way, it says, will be short term and superficial. It imposes subordination and servitude on workers which does nothing to cultivate the autonomy and responsibility expected in modern organisations.

"This major paradox will certainly hold back the competitivity of the company, and in time can only jeopardise the legitimacy of the company and its management," says the report.

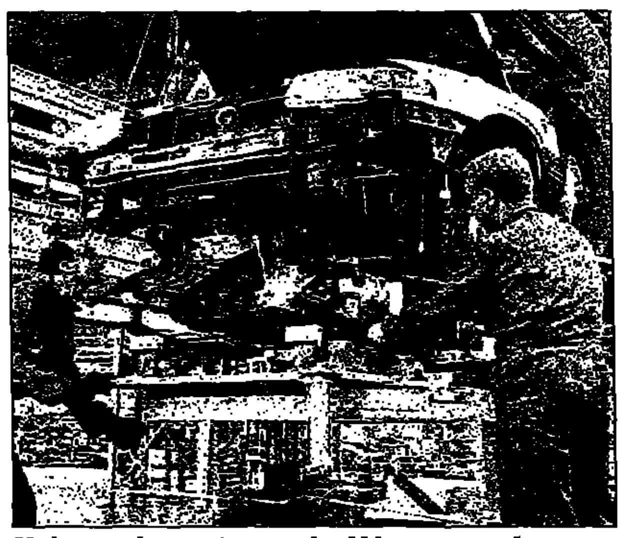
Instead, it calls for a re-thinking of the organisation of work to strike a new balance between the needs of the enterprise and those of employees, which liberates the latter from traditional servitude and helps them take control of their lives.

There must be a transition from the slavery of collective employment practices, says the report, to the liberation of individual contracts. This means that it makes no sense to call for generalised reductions in working hours; but the report accepts unions must be involved in negotiating new working relationships.

"Today, in submitting to excessive constraints of productivity, in downsizing without limit, in seeking to make gains at the expense of society, business is in the process of breaking the social links which it used to build," the report concludes.

"We are convinced that unregulated capitalism will explode just as communism exploded, if we do not seize the chance to put man back at the centre of society."

**L'Entreprise au XXIe Siècle; Centre des Jeunes Dirigeants d'Entreprise, 19 avenue George V, Paris 75008. Published by Flammarion, FFr80*



Modern workers: autonomy should be encouraged

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL

We are keen to encourage letters from readers around the world. Letters may be faxed to +44 171-873 5938 (please set fax to 'fine'). e.mail: letters.editor@ft.com Published letters are also available on the FT web site, http://www.FT.com

Translation may be available for letters written in the main international languages.

Stability pact important part of Emu route

From Mr Günther Thumann.

Sir, Martin Wolf makes a toast "To fiscal independence" (November 12), and rightly so. He puts the spotlight on high government debt ratios rather than high deficits, again rightly so, although I would not stress this point too much since deficits and debt levels are closely related. Moreover, a focus on net debt would be more appropriate than on gross debt. Unfortunately, government net debt is even more difficult to measure than gross debt.

Since we agree on the importance of sustainable debt levels it is rather surprising to find Mr Wolf argue against the stability pact as being over-rigid, excessively stringent and far too inflexible. The main objective of the stability pact is to ensure that the Emu participants stick to sustainable fiscal policies. Sustainability is defined as keeping the budget deficit below 3 per cent of gross domestic product throughout "normal" business cycles and as running debt ratios below 60 per cent of GDP. That is to say the deficit should not exceed 3 per cent even in a recession, provided there are no exceptional circumstances. In phases of normal economic activity, (technically speaking when the output gap is zero) the budget balance would be close to balance or in surplus.

Obviously, these rules allow each participating member state to make full use of the automatic stabilisers, once a sustainable fiscal position has been reached. Why is that rigid? Moreover, in case of exceptional circumstances the 3 per cent upper limit for the deficit may be waived subject to conditions which (admittedly) still have to be defined more clearly. Is that too stringent? And, in line with the principle of subsidiarity each member state keeps full control over taxation and spending. Is that inflexible?

There is of course one point to be kept in mind. As the European Monetary Institute has clearly stated in its 1996 convergence report, most member states have not yet achieved a sustainable fiscal position. Until that has been obtained fiscal policies must remain restrictive and hence countries' flexibility with regard to using the automatic stabilisers is limited, the more so the higher the debt ratio. Such transitional inflexibility is, however, unavoidable if one is serious about banging debt ratios down to sustainable levels in the foreseeable future. So why not toast the stability pact too?

Günther Thumann,
Messerschmittstrasse 60,
53125 Bonn, Germany

Computer problem a puzzle

From Mr H. W. FitzHugh.

Sir, Many of your readers will recall the early 1970s when most substantial companies were computerised, usually with massive mainframes housed in specially air-conditioned buildings the size of gymnasiums. I remember the ICT 1902 which processed accounting and a payroll of nearly 20,000 for the Plessey Telecommunications Group crashing because a pigeon built a nest in an air vent.

Compared to now, these were primitive days of information technology when the computer specialists held sway and the poor users had to take what they were given, and many programs were inadequately documented. They were also the days of decimalisation and the introduction of VAT, both of which required significant changes to IT applications, but I do not remember that these caused widespread panic.

Why, therefore, with modern technology and (initially) unlimited lead-time, are we predicting disasters in the year 2000 because many date-sensitive applications include only the last two digits of the year?

Surely, when computers can control satellites, handle global cash management in umpteen currencies and beat Russian Grand Masters at chess, two simple digits are not a problem. My private pension scheme matures in 2002 and I become a pensioner in 2007 – or so I thought.

H.W. FitzHugh,
4 Chepstow Place,
London W2 4TA, UK

Social disparities increased in the UK

From Ms Arlene McCarthy MEP.

Sir, Your article "EU's north-south divide narrows" (November 7) misses a number of crucial points highlighted by the European Commission's cohesion report which painted such a devastating picture of the UK's economy.

The report's poverty figures are already out of date. More recent figures, newly available to the Commission, indicate that as many as 25 per cent of UK households live below the poverty line, lifting the UK to equal first in the EU poverty league alongside Portugal.

However, your report failed to highlight the fact it that while UK growth has been employment intensive; other countries have had an economically faster growth rate. This means that in the UK today workers work longer hours for lower pay and they do so less productively than their European counterparts – a further indication that the UK is the sweatshop of Europe.

The Conservative government's privatisation programme and its insistence on pushing forward its deregulations agenda at every turn has not only had a detrimental effect on social cohesion but has increased the disparities between both regions and social groups.

The report confirms what many of us have known for some time; that is that social cohesion is breaking down in the UK, and cites the UK as an example of a dual economy.

In fact, the report singles out several of the UK's old industrial regions as examples of zero or negative employment growth – namely the West Midlands, Merseyside and South Yorkshire. In terms of gross domestic product income per head some parts of the UK are well below the UK average.

Interestingly the UK is, yet again, singled out as one of the member states spending less of its national budget on regional investment. Of course, £6.5bn of EU funds until 1999 should in theory help reverse the widening north-south divide. However, the full benefit and impact of these resources is being stifled by the dead hand of a Conservative government.

Labour's proposals for a decentralised regional policy will at last start to close the gaps and use EU funding more effectively to build economic and social cohesion both within and between regions of the UK.

In November, December and January, I will be conducting regional hearings with a view to looking for ways to improve on the impact of EU funds on the ground, so that a future EU cohesion report will see the UK in the premier league of member states.

Arlene McCarthy,
European Parliamentary Labour party spokesperson on regional affairs,
16 North Road,
Glossop, Derbys, UK

Achieving energy efficiency not so easy

From Mr Peter Cuning.

Sir, Andrew Baxter (Energy efficiency survey: "Too few photo opportunities", November 11) has correctly identified most of the principal obstacles to individuals and others implementing residential photovoltaic schemes. As the proponent of what Greenpeace and I believe to be London's very first photovoltaic housing project in Kentish Town, I have been waiting more than eight months since the planning application was lodged. If the scheme, now awaiting the decision of environment secretary, John Gummer, is considered so defective, an informed refusal should have been given long ago. If it is acceptable, I should have been encouraged to get on with the job.

Assuming ministers mean what they say about sustainable development they have to give it priority. My feeling is it is not cost alone but bureaucratic procedure that hinders the growth of this technology. My niece living in New England, doing a similar scheme, has got her project approved and built in less than eight months.

Even when solar power costs are alleged to be falling, an inherently expensive technology becomes prohibitive when preceded by months of unwarranted delays.

Being a pioneer is difficult enough without having to cope with excessively slow turning wheels of the planning machine.

As a Camden councillor said of my project, "it's a wonderful idea but do it elsewhere".

Peter Cuming,
34 Savernake Road,
London NW3 2JP,
UK

Backlash against the axe

US bosses are placing greater value on the goodwill of workers, says Tony Jackson

Is American business going soft? A quarter of its top executives, a recent survey has found, do not believe their primary job is to maximise profits. Instead, they worry more about the poor job they are doing on social issues: on work and the family, equal rights and the environment.

To those reared in the school of shareholder value, this sounds like dangerous heresy. The reality may be more subtle.

For the best part of a decade, managers have been obsessed with improving efficiency: with removing costs, functions and people. There are now signs of a backlash.

Chopping back costs is all very well, but tomorrow's profits depend on growth. Some of the more thoughtful American companies are once more turning their minds to the twin sources of revenue: the customer and the workforce.

The idea that profit is not the primary goal of business is hardly new. Over 40 years ago, the management theorist Peter Drucker put the point explicitly. "Profit," he wrote in his influential book *The Practice of Management*, "is not the explanation, cause or rationale of business behaviour and business decisions, but the test of their validity."

In other words, Drucker argued, profits are an essential result without which a business cannot survive. But a business which views profit as its main goal may fail in its object. Its true purpose is the creation of customers: the efficient provision of goods and services which people want to buy. Get that right, and the profit will follow.

Throughout the recent upheaval of restructuring and re-engineering, that basic message was somewhat obscured, but seldom wholly forgotten. Less well remembered was another equally basic message: that to remain profitable in the long run, a business must retain the goodwill of its workers and the society in which it operates.

This brings us back to the US survey. Conducted last month for Cornell University's Johnson Business School, it covered 250 senior executives in the Fortune 1000, the biggest US companies in terms of sales.

Among those executives, 24 per cent disagreed with the proposition that maximising profits was a company's most important responsibility. Almost 90 per cent, by contrast, agreed that "a corporate leader's responsibility is to ensure the greatest good for the greatest number of stakeholders, which include shareholders, employees, customers, and local communities in which the company is based or does significant business".

Restructuring companies can be a brutal business. Perhaps, after a decade of it, senior executives are getting tired of the blood-letting

If that smacks of motherhood and apple pie, some of the findings were less obvious. The respondents were presented with a list of attributes, and asked how they fitted today's corporate leaders. They were also asked which would be most important a decade from now.

Today's list was unsurprising. The executives saw their peers – and, by extension, themselves – as primarily aggressive and competitive. Looking 10 years out, those qualities dwindled to vanishing point. Tomorrow's leaders, the executives said, had to be compassionate team builders.

Professor Thomas Dyckman, dean of Cornell's business school, is in no doubt that something is going on here. "In the past", he says, "executives liked to talk about stakeholders while really concentrating on shareholders. Now, they've come to believe that being concerned about wider interest groups actually works through to the bottom line."

Indeed, there are specific examples of big US companies which have detailed programmes to address social issues, and are also highly profitable. Professor Dyckman lists some: Hewlett Packard, Johnson & Johnson, 3M and Merck.

Profit apart, there may be other forces at work. Restructuring companies can be a brutal business. Perhaps, after a decade of it, senior executives are getting tired of the blood-letting.

In an intriguing variation on its basic theme, the Cornell study put the same set of questions to 250 MBA students. They were distinctly more hawkish than the executives: much more concerned with profit, much less with social and human issues.

Conceivably, there is a generation difference here. Professor Dyckman does not think so.

"In 35 years as an academic", he says, "I've found that students look at issues in black and white terms. They're used to solving problems, and bringing case analyses to a conclusion. They haven't had to face downsizing people they know. Once they come to run companies and meet interpersonal problems, I think they will change."

Overall, though, the shift of attitude among US companies has little to do with soft-heartedness. Companies are not thinking less about profit: they are simply taking a longer view of it, and a broader view of its sources.

To that extent, they are thinking more like Asian or European companies. At the same time, of course, companies in Asia and Europe are under pressure to pay more attention to their shareholders, in the American manner.

While this sounds like contradiction, it may in fact be convergence. The globalisation of capital is a familiar theme. Perhaps this is the next step: the globalisation of capitalism.

COMMENT & ANALYSIS

FINANCIAL TIMES
Number One Southwark Bridge, London SE1 9HL
Tel: +44 171-873 3000 Telex: 922186 Fax: +44 171-407 5700
Wednesday November 13 1996

Make it work in Europe

The European Court of Justice's ruling that Britain must implement the EU's working time directive was unwelcome. But the response of Mr John Major's government has been both disproportionate and potentially damaging to the wider national interest.

There was no surprise in the court's decision. For all Mr Major's anger, the government's case that such legislation was wrongly framed under the rubric of health and safety was questioned even by some of its own legal advisers.

The directive will have little impact on working practices across Europe. Most countries already have more stringent national legislation covering working hours, minimum holidays and compulsory rest days. Britain, meanwhile, has negotiated a series of exemptions and derogations. When the directive was finalised in 1993, Mr David Hunt, the then employment minister, declared that as far as Britain was concerned "the teeth have been drawn". Mr Hunt chose to abstain rather than vote against the measure.

Most employer organisations dislike the new rules, which will add to the bureaucratic burden on business. There are also risks of anomalies as between different groups of workers. But if the national legislation to implement the directive is skilfully drawn, then its residual impact can be still further mitigated.

That said, the court's ruling is an unwelcome symbol of the extension of European jurisdiction into areas best left to national discretion. Its broad interpretation of what constitutes health and safety may have also opened the door for further measures. But the level playing field necessary for the single European market does not require harmonisation of the detail of social legislation.

And while the drive in Britain for flexible labour markets should not become synonymous with a return to Dickensian working conditions, there has been a dangerous tendency in continental Europe to favour regulation over competitiveness. Mr Padraig Flynn, the EU's social affairs commissioner, too often sees harmonisation as an end in itself.

This does not justify, however, the bellicose tone of the government's response. By threatening to veto the outcome of the EU's intergovernmental conference, Mr Major has made the issue yet another *casus belli* in a seemingly perpetual conflict with Britain's European partners. Parallels with the ill-fated "beef war" are inevitable, as is the suspicion that his reaction owes as much to pressure from the Eurosceptics on the Tory backbenches as to the substance of the issue.

It is fine to make the case against the extension of social regulation, but damaging to do so in a manner which seems calculated to weaken rather than strengthen Britain's voice in the EU. Isolation may occasionally be an awkward necessity, but it should never be elevated into an aim of policy.

As for the intergovernmental conference, Sir Leon Brittan, the Conservative vice-president of the Commission, is surely right in his assessment that Mr Major can secure his objectives on this issue only if and when he is prepared to accommodate the interests elsewhere of Britain's European partners.

German budget

There was a hole in Mr Theo Waigel's budget and he fixed it. The deal worked out by the German coalition partners on Monday was the minimum the finance minister needed to keep both his fiscal credibility and the ruling coalition intact. Whether it will ultimately be enough is another matter.

The details of the DM5bn budgets cuts have to be worked out by the Bundestag budget committee tomorrow, before the final reading of the 1997 budget in the lower house of parliament later this month. But the outline agreement already passes two important tests.

First, it preserves Mr Waigel's place on the moral high ground as regards qualifying for monetary union. Others may fudge their budget promises for 1997 – Germany keeps them. That, at least, is the message. Yet the fact that Mr Waigel has not resorted to French-style tactics to achieve the Maastricht targets does not make him any less dependent on the behaviour of the economy.

While not fudging the figures, exactly, Mr Waigel has not been above some convenient optimism. The budget assumes Germany will achieve 2.5 per cent growth next year: the latest consensus forecast among private forecasters was for 2.2 per cent growth in 1997, after 1.2 per cent this year. Worse than expected unemployment has already forced Mr Waigel to find DM4.1bn in subsidies for the federal labour office and an extra DM2.3bn for payments to long-term unemployed. Last week's disappointing October jobless figures – coupled with other signs of waning growth – could yet push borrowing higher.

The obvious, second merit of the deal is that the coalition lives to fight another day. That all of the revenue shortfall is to be met by spending cuts was calming news for Free Democrat leaders, still cross at having been forced, last month, to agree a delay in next year's planned cut in the solidarity surcharge. But as Mr Waigel well knows, the truce between the coalition partners will last only as long as taxes, including the surcharge, are kept off the agenda.

In December, in other words, the same divisions will emerge. As the Bundesbank president, Hans Tietmeyer, commented yesterday in the rather different context of Emu: "A beautifully posed photograph on a sunny day does not necessarily set the stage for a good future."

Insurers merge

The merger of Axa and Union des Assurances de Paris creates another entrant for the rapidly emerging global superleague of insurance companies.

Because insurance has traditionally been a domestic business, the league is still not fully formed. Measured by sheer size, it is dominated by insurers such as Japan's Nippon Life and Prudential of the US. If international reach is also a yardstick, potential contenders include AIG of the US, Allianz of Germany, Zurich of Switzerland, Generali of Italy, Aegon and ING of the Netherlands and Britain's Commercial Union and the new Royal & Sun Alliance.

This is a distinctly mixed bag of companies. Some are innovative and well-managed; others struggle to shake off high costs and inertia bequeathed by years of semi-protected markets and stifling regulation.

The Axa/UAP merger encapsulates both these aspects. Under Claude Bébéar, Axa has grown rapidly from its origins as a regional mutual insurer to become an international force. Its transformation of Equitable of the US and its brisk innovation are striking. UAP, trying hard to cope with the problems of the past, is larger but weaker.

Whatever the individual characteristics of the contenders for global status, however, a bigger question is whether the industry possesses the economies of scale which justify such consolidation. There are undoubtedly some savings to be made by spreading administration and technology costs across a wider base of business; and by negotiating better reinsurance rates.

Insurance markets are still segmented on a national basis, however. And in most countries, distribution is through agents rather than through in-house sales forces. These are both barriers to big savings from scale.

The rewards in the new era will go to those companies – whatever their size – which best adapt to a changing industry. At an operating level, that requires innovation in new products, in distribution, and in efficiency. At a strategic level it requires a sharp focus on the opportunities and threats created by an ageing market, a creaking welfare state, and a growing appetite for simpler, cheaper savings products. Size alone is no indicator of whether a company possesses these skills; it may even be a handicap. To rush for it blindly would be a mistake.

Engine of the digital age

Microprocessor technology has touched every aspect of life and industry in the past 25 years, says **Louise Kehoe**

Announcing a new era in integrated electronics: A programmable computer on a chip.

With this advertising slogan, Intel – then a fledgling California chipmaker with annual sales of $9m – launched the world's first microprocessor 25 years ago.

With hindsight, that advertisement in 1971 might have been bolder. "Announcing the digital industrial revolution" would have proved accurate. "Introducing technology that will bring vast changes to business, agriculture, transport, education, communications and entertainment" would not have been overstepping the mark.

The microprocessor was to become the "engine" of the information age. It would enable the broad application of digital electronics to virtually every aspect of life. By virtue of its small size, rapidly rising computing power and relatively low cost it would provide millions of people with direct access to computers and digital communications, create industries and destroy others.

But little of this was evident a quarter of a century ago. "We thought we had something pretty important," recalls Mr Gordon Moore, chairman and co-founder of Intel. But the makers of the first microprocessor had no concept of how broad the impact of their technology would be.

They had shrunk the electronic circuits of a computer's central processing unit on to a chip of silicon. It was the first programmable chip – a technology breakthrough – but it was not at all clear what it might be used for.

"We expected the microprocessor to be used as a controller in various types of machinery," says Mr Moore. Mr Ted Hoff, who invented the microprocessor, remembers suggesting that the chip could be used in elevator controls or traffic lights.

Originally, however, the 4004, as Intel called its first microprocessor, was designed for use in a desktop calculator. Mr Hoff, now an Intel senior vice-president, explains how Intel had won a contract to manufacture chips for a desktop calculator designed by Busicom, a Japanese company. "When I started looking over the shoulders of the Japanese engineers, I found that their design was very complicated. I had been working on a minicomputer [with] a calculator program and that seemed to be a lot simpler. It kind of puzzled me why the calculator had to be so complicated.

"It struck me: couldn't we make something simpler by having a very, very simple processing engine ... and then program it to perform calculator functions." Thus the microprocessor was born.

Fortunately for Intel, Busicom's calculator business did not flourish. The company had trouble paying its bills. In lieu of payments, Intel took back the rights to offer the chip to other companies for different applications. Hence the 1971 advertisement.

Throughout the 1970s, microprocessors from Intel and a growing band of US and Japanese competitors were used in numerous "embedded" applications. They were built into products ranging from machine tools to home appliances.

A microprocessor controller for a washing machine was something that an electronics company could brag about in 1975.

At this stage, microprocessors were replacing mechanical controls and custom-designed electronic circuits, rather than creating new types of applications. They brought lower cost or improved performance to a wide variety of products, but they did not force fundamental changes.

By the end of the 1970s, however, microprocessor power had increased several hundredfold and the "digital revolution" was under way with the emergence of personal computers from companies such as Apple Computer, Atari and Commodore.

Initially, Intel did not take much interest in the personal computer. Mr Moore recalls: "In the mid-1970s, someone came to me with an idea for what was basically the PC. The idea was to fit out 8080 [third generation Intel microprocessor] with a keyboard and a monitor and sell it in the home market. I asked 'What's it good for?' And the only answer was that a housewife could keep her recipes on it. I personally didn't see anything useful in it."

International Business Machines changed Intel's mind. In 1981, the world's largest computer company launched its first PC using an Intel microprocessor and software from Microsoft, then a small Seattle venture.

In what Larry Ellison, chairman of Oracle, a leading software company, has called "the single biggest mistake in the history of enterprise" IBM did not acquire the rights to Intel's chip design or Microsoft's programs.

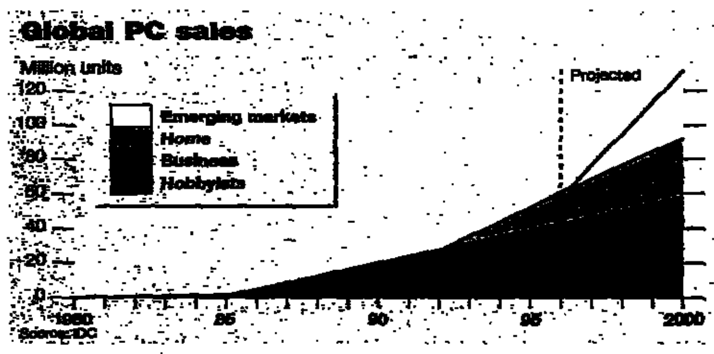
PCs proliferated as dozens of manufacturers "cloned" IBM's design. By 1985, Intel had annual revenues of $1.2bn and Microsoft was the dominant supplier of PC software. Their success fuelled development of ever more powerful chips and PC programs.

Over the next decade, the entire computer industry was reshaped by microprocessor technology as chips first outpaced the performance of minicomputers – the inspiration for Mr Hoff's invention – and then began to encroach upon the performance of mainframe computers.

There was no stopping the microprocessor. As networks of PCs displaced larger, central computers, hundreds of thousands of jobs were lost when "established" computer companies "downsized" operations.

Yet the microprocessor also created a vast new PC industry which today has worldwide sales of about $300bn (£182bn). The latest generation of IBM mainframe computers are packed with microprocessors, and Digital Equipment, the leader in the minicomputer era, manufactures one of the fastest microprocessors for use in its own products.

Today, it is difficult to think of any industry, or aspect of life, that is not touched by microprocessor technology.



In the workplace, PCs have become a standard office tool. To a significant degree they have also upset the traditional "top down" flow of information within organisations by giving individuals direct access to computer power. PCs have also become a tool of democracy.

In the home, the PC first gained acceptance as a high-tech hobby and then as an educational tool. Rather than purchasing encyclopaedias for their children, well-heeled parents would buy a PC – and use it themselves to catch up on work or play games.

Without noticing, we make use of microprocessor technology every day. It powers the supermarket cash registers and the computers that keep track of your bank account.

When you visit your doctor's office or a hospital, your health records are usually accessed by a personal computer. Should you need surgery, or medical tests, microprocessor-driven electronic instruments will process and analyse the data and provide results that doctors will use to make life and death decisions.

Farmers use microprocessor technology to keep track of crop yields, milk production and cattle as well as to access weather information and maintain financial records.

As many as a dozen microprocessors are hidden in the average family car. In the home, the microprocessor has become a standard component of all electrical appliances.

Cable television decoders and video tape recorders contain these chips. Aircraft,satellites and guided missiles all depend on microprocessor technology. And then there is the Internet. This global computer network is the latest example of the broad impact of rapid advances in chip technology.

For the past 25 years the computing power of microprocessors has increased at a rate of almost 50 per cent a year. Today's most advanced microprocessors are about 20,000 times more powerful than the original Intel 4004.

Another rough measure of advances in microprocessor technology is the number of transistors on a chip. The 4004 incorporated 2,300 transistors, the basic elements of an electronic circuit. The Pentium Pro, Intel's latest chip, has 5.5m transistors.

For how long can this pace of advance continue? Looking ahead 10 years, Intel's top engineers see no slackening. By 2006, the highest performance microprocessors will have between 300m and 400m transistors on a chip, says Mr Albert Yu, Intel director of microprocessor products.

In the business world, financial analysis and decision support programs will also feature three-dimensional graphics. PC users will be able to take a virtual tour of a city or a country without leaving their screens.

As chipmakers continue to shrink transistors to smaller and smaller sizes, circuit elements will eventually approach the size of atoms. This is the ultimate barrier to further advances in chip technology. When and if it will happen remains, however, a matter of debate among industry experts.

OBSERVER

I spy gains?

■ Investors who examined the small print behind Russia's first US-style mutual fund, launched yesterday, will have noted that one of the management group's directors was once a bright young thing in the KGB.

The bearded 39-year-old Mikhail Chebotarev, who emerged from the shadows three years ago to advertise his privatisation fund on TV, says his time with the KGB instilled in him a healthy sense of discipline. "Where there is no discipline, then we have ruin, chaos and anarchy. Therefore I am a supporter of discipline, including in the financial field," he [illegible] in a recent interview with the [illegible] newspaper. Good to know that at least someone has a respect for order in the anarchic world of Russian capitalism.

Nor is Chebotarev a knee-jerk [illegible]; he says his varied experiences of working in a scientific research institute and the Soviet Communist party apparatus taught him other useful lessons, such as the value of frank debate and collective endeavour.

His colleagues describe him as a thoughtful administrator with a surprisingly consensual management style. Just as long as he doesn't spook the investors...

On the march

■ Yesterday's unveiling of the wannabe world's second largest insurance company was a well-attended affair. No particular surprise, then, at the presence of André Lévy-Lang, Paribas chairman, to hear about Axa-UAP's plans. Paribas indirectly owns a chunk of Axa's capital, and Axa and UAP between them hold 10.7 per cent of the French bank. But Lévy-Lang was sounding uncommonly enthusiastic about the development, which he called "an excellent thing". Which naturally led to the question of whether a similarly ambitious deal might be in the offing in his sector? "If it makes sense, yes," he replied simply. Deutsche Bank, look out?

Ringing bells

■ The powerful politically appointed managers of Italy's state-run companies could be a dying breed. Following the Prodi government's pledge (pace pressure from Brussels) to ensure the privatisation of the jewels in the crown of IRI, few of the highly paid chief executives can pretend their seats are safe.

So the spotlight has turned on Ernesto Pascale, the canny boss of Stet, whom the government regards as having been at best lukewarm towards privatisation. Pascale has spent his entire working life in state-run telecoms, being made Stet's boss in 1994, championed by the rightist National Alliance then in government.

When the Prodi government took office in May, several ministers sought to replace Pascale with the excuse that his appointment needed to be re-confirmed. But the cabinet balked; he knew the business inside out and his removal risked being too disruptive. Now the government has a new excuse with its decision on Monday to merge Stet with Telecom Italia, its main telephone operating company, as part of the path to privatisation.

Fashion victims

■ New York, London and Jakarta. Fashion Café, the fashion industry's answer to Hard Rock Cafe, has just sashayed down its first Asian catwalk, in Indonesia.

Tommaso Buti, the 30-year-old New-York based entrepreneur behind the concept, reckons Indonesians are "pretty aggressive as far as fashion is concerned". He certainly managed to pull a suitable cross-section of local glamour to hob nob at the opening with the brace of supermodels involved in the enterprise.

Buti boasts that he has been besieged by Asians proposing to set up outlets – but is remaining coy concerning who is behind the Indonesian joint-venture partner, a company called Inti Citra Sejati. Whispers are that one of President Suharto's daughters and a relative of Liem Sioe Liong, who heads the powerful Salim conglomerate, are involved.

Incredibly, some 1,600 Jakartans are expected to spend around $15 per head daily on such delights as Naomi Campbell's fish and chips.

Agony over?

■ USAir is being coy as to how much its identity change to US Airways is costing, but it sounds as if it involves a fairly extensive redesign.

Last time the company went through a similar exercise there was at least some point. It was 1979, and a small regional carrier was going national. Also, its old tag, Allegheny Airlines, was something of a liability. The airline flew to some pretty down-at-heel parts of the country, over some large mountain chains attracting unpleasant weather. So, in the frequent flyer lore of the day, it was known as Agony Air.

Financial Times

100 years ago

Railways in China
Pekin, 12th Nov. The Tsung-li-Yamen has received a secret edict appointing Shen Taotai director general of railways, and granting permission for the construction of the Hankau, Canton and Suchau lines. For this purpose permission is granted to borrow twenty million taels. Ten millions will be furnished by the Tsung-li-Yamen from the last loan, and the northern and southern superintendencies will furnish three millions and seven millions respectively. On the Hankau line native labourers are to be employed as far as possible, but foreign engineers may be engaged.

50 years ago

Italy And The Lira
According to a Rome message yesterday, the Italian Minister of the Treasury has categorically denied rumours that his Government has decided to devalue the lira. This statement is strange after the utterances of Signor Bertone at Turin a week ago. Unless a number of intelligent observers have been misled, that gentleman not only stated that a new currency was to be introduced "as soon as the new notes were available," but he also hinted that devaluation would be in two stages.

FINANCIAL TIMES
Wednesday November 13 1996

UK threatens EU clash over employment laws

By Caroline Southey in Brussels and Robert Peston in London

Mr John Major, the UK prime minister, last night set Britain on a collision course with its European Union partners over employment and social law after the European Court of Justice ruled that the UK must implement a directive on working hours.

In a frosty exchange of letters with Mr Jacques Santer, the European Commission president, over the future of EU social policy, Mr Major demanded treaty changes and a new opt-out for the UK on working time rules.

Mr Major warned there would be "no end" to negotiations on a new EU treaty unless other members accepted Britain's demands.

His threat to prevent the intergovernmental conference reaching a conclusion next year by exploiting the UK's veto followed the government's crushing defeat in the European court yesterday, which ruled that the 1993 working time directive was applicable in the UK.

The directive imposes a maximum average 48-hour working week for many classes of employee and a minimum entitlement to four weeks paid annual leave.

In his clash with Mr Santer, Mr Major accused the EU of damaging British industry through over-regulation. Mr Santer retorted that the EU favoured maintaining "adequate social provisions" and this did not amount to "placing unnecessary burdens on business or damaging competitiveness".

Mr Major's demands included extending the right of veto to EU health and safety laws and that the Commission refrain from using the health and safety provisions to introduce employment legislation.

Mr Santer, welcoming the court's decision, insisted that the Commission had the right to "initiate legislation as foreseen under the treaty" – including under the health and safety provisions. Britain challenged the directive on the grounds that it was not a health and safety issue.

The ruling also widened the definition of health and safety at work, opening the door for the Commission to come forward with new social policy initiatives.

In a display of anger, Mr Major told British MPs that he would "not accept what has been determined by the courts today". The Commission retorted that Britain was "threatening to hold the IGC to ransom".

In his letter to Mr Santer, Mr Major said the directive was counter to the spirit of the opt-out he won from the social chapter under the Maastricht treaty. "It is unacceptable and must be remedied," he wrote.

Open door, Page 8
Ian Davidson, Page 10
Editorial Comment, Page 11
Lex, Page 12

Sherritt defies US to expand Cuban interests

By Robert Gibbens in Montreal and Pascal Fletcher in Havana

Sherritt International, the Canadian mining company, plans to increase its holdings in Cuba through debenture issues worth up to C$600m ($447m). The move is in defiance of hostile US legislation aimed at stopping investment in the island.

The debenture issues signal the Canadian company's determination to maintain and extend its operations in Cuba. Sherritt is one of several companies singled out under the US Helms-Burton law passed earlier this year, to allow the US State Department to take action against international companies investing in Cuba.

In July US authorities informed Sherritt directors, who include two prominent British businessmen, that they would be barred from the US under Title IV of the law, a move that drew official protests from Canada and Britain. However Sherritt held a board meeting in Havana two months ago.

Sherritt has raised a first tranche of C$300m by selling 6 per cent 10-year convertible debentures to a Toronto underwriting syndicate led by two independent underwriters, Griffiths McBurney and Midland Walwyn.

The move represents a major expansion of Sherritt's business in Cuba. The company already operates in oil exploration, nickel mining, farming and tourism and owns 50 per cent of the Moa Bay mining operation in partnership with the Cuban government.

Mr Ian Delaney, Sherritt's president, would not give details of how the new funds would be deployed. But a spokesman, Mrs Merrin Best, said the company was "destined to be an infrastructure company in Cuba and we are pursuing this strategy... Our goal is to be Cuba's Canadian Pacific".

Sherritt said the new money would go into Cuban oil refining, property development, sugar production and communications projects.

The company is said in Cuba to have been considering the purchase of a large stake in an investment venture to modernise Cuba's telephone system, involving Mexico's Grupo Domos and Stet of Italy.

By midday yesterday, Sherritt International's share price was down 75 cents from Friday, when the plans were first announced, to C$8.25.

Many analysts expect the new Clinton administration to water down the Helms-Burton law. As it stands US citizens can sue foreign companies or individuals over property confiscated by the Castro regime.

Zaire crisis

Continued from Page 1

militia responsible for the genocide in Rwanda in 1994, and who shelter within the ranks of the refugees.

A plan for a Franco-Spanish intervention collapsed last week. But as a nation with no colonial history in Africa, Canada appears to have won wide acceptance to command a force that must be seen as neutral by all parties.

Canadian diplomats warned that because of commitments in Bosnia, Canada was unlikely be able to send more than 1,000 troops. Unless the US came forward with substantial support "it could be two weeks before our troops are on the ground".

Last night Mr Raymond Chretien, UN special envoy, said he hoped a summit could be arranged between Zaire and Rwanda.

Axa, UAP

Continued from Page 1

to realise at least FFr500m of cost savings from eliminating overlapping activities in 1998, rising to about FFr1bn in 1999. This was in spite of a pledge to make no "collective redundancies" in France.

The financial fortunes of the two groups differed markedly in recent years. Axa's first-half net income, reported in September, was up 52 per cent to FFr1.98bn on revenues of FFr81.9bn. UAP reported a 7 per cent advance to FFr860m on turnover of FFr86.4bn. In 1995, it made its first full-year loss – of FFr2.06bn – after making heavy provisions for property holdings and loans.

Swiss banks face fresh attack in Nazi victim probe

By William Hall in Zurich and Norma Cohen in London

Swiss banks faced fresh international criticism yesterday after Switzerland's banking ombudsman said he had found only SFr11,000 ($8,750) in dormant bank accounts linked to Nazi holocaust victims.

Mr Hanspeter Häni, the ombudsman, who acts as the first contact point between the banks and claimants, said that his initial search had helped 11 claimants track down SFr1.6m in dormant bank accounts but only five, with claims for only SFr11,000, were related to the holocaust.

Three were descendants of bank customers murdered by the Nazis. The other two were Romanian Jews who were dispossessed during the war.

The World Jewish Congress yesterday denounced the ombudsman's efforts as "pathetic".

His findings will widen the gulf of understanding between Jewish organisations, which believe that Swiss banks hold several billion of dollars belonging to holocaust victims, and the banks, which argue that most of the money has been found by earlier investigations.

Last year, the banks identified SFr38.7m in accounts established before 1945 and dormant for at least 10 years with no known owner. The ombudsman's task is to help claimants to track down their funds. The WJC said Mr Häni's reliance on the banks to investigate their own dormant accounts was inadequate.

"The ombudsman only makes a photocopy of the claim and circulates it to all the Swiss banks asking: 'Can you match these names and dates'," said Mr Kalman Sultanik, vice-chairman of the congress. "He doesn't send in a team of investigators. He's just a photocopy service."

Mr Häni said that the figures might seem disappointing at first glance but he was encouraged that something had been found. The ombudsman, who is financed by the Swiss banks, was given his role at the start of this year in a bid to defuse criticism that the banks were dragging their feet in turning over the bank accounts of holocaust victims.

He received 2,229 applications for help in the nine months to end-September. These applications have resulted in 892 questionnaires being returned. In 55 cases, the banks had asked for more details. In 40 instances, the claimants had been unsuccessful but, in 11 cases, the ombudsman was able to put a claimant in touch with a bank.

Mr Häni is doubling the size of his team and has undertaken to be the central contact office for an indefinite period. However, he forecast that future investigations would not lead to any significantly different results.

THE LEX COLUMN

The Axa falls

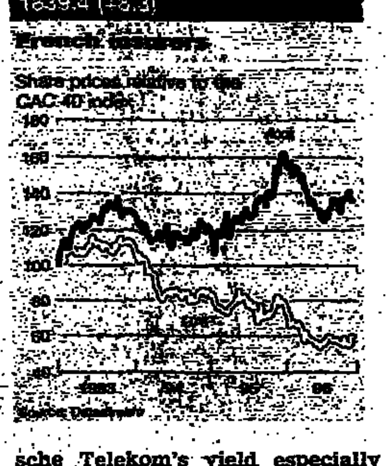
The effective takeover of UAP is an undoubted coup for Mr Claude Bébéar, Axa's chairman. But for all the emphasis he laid on it yesterday, sheer clout alone does not amount to a convincing case for this merger. Of course, size brings some benefits. But there are downsides too: giants are rarely nimble or slim. And, awkwardly, the merger will weight Axa more towards non-life insurance and more towards France – precisely the reverse of the characteristics which have made the shares such a favourite.

Fortunately, the deal has a more compelling attraction: cost cuts. Axa is so far projecting post-tax savings of FFr1bn from 1999, of which about 60 per cent should go to existing Axa shareholders. This alone is not enough to justify the takeover premium of FFr13bn or so implied by Axa's current share price. But it is a good start – especially since Axa's plans look conspicuously conservative.

Even so, investors are undeniably left with a gamble: that Axa's unusually shareholder-oriented management will manage to squeeze enough value out of UAP to make the deal worthwhile. Still, there are good reasons to give them the benefit of the doubt: their record; and the fact that the opportunity, especially in UAP's French business, is certainly there.

In broader terms, the fact that well-managed Axa is taking over UAP looks good news; corporate France badly needs such Darwinian progress. But before outsiders get euphoric, they should pause: for all the talk of shareholder value, Axa is promising the merger will involve no redundancies. And nearly half the merged group's voting rights will be in friendly hands. This is, still, a very French solution.

FTSE Eurotrack 200: 1839.4 (+8.3)



Deutsche Telekom

The main question facing prospective Deutsche Telekom investors is not whether to buy shares in this heavily-marketed issue but when to sell. On fundamental grounds, the shares are not worth much more than DM25. But demand has been stoked to such high levels that the share price seems likely to rise in the short term. Shares are already trading at DM34 in the grey market – well above the top of the DM25-DM30 pricing range.

Strong demand is coming from German investors, who receive tax relief on dividends making Deutsche Telekom's yield especially juicy. Moreover, the shares could be buoyed in the aftermarket by international index funds. A bizarre technical quirk could lead to a scramble for stock, as Deutsche Telekom will enjoy a weighting in the Dax index on the basis of the 1bn shares it is authorised to sell rather than the 720m it plans to sell. Set against that will be those who flip the stock they receive in the offering to make a quick profit. It is difficult to predict exactly how these technical factors will interact. But the best bet will probably be to offload Deutsche Telekom shares well before next spring's share offering for France Télécom, which is likely to be priced more attractively on fundamental grounds.

48-hour week

The European Court of Justice's decision that the working time directive applies in the UK has been both welcomed as a victory for "overworked employees" and denounced as damaging jobs and competitiveness. It is neither, but the florid rhetoric is hardly surprising given that the issue has long since degenerated into an ideological squabble over flexible labour markets and Britain's relations with Europe.

The British do spend much longer at work than their European counterparts: figures from Eurostat show that 31 per cent of full-time employees work more than 46 hours a week, nearly double the percentage in Greece, the next highest, and almost three times the European Union average. But the chances of the new directive's changing this appear slim. Work patterns in industries such as security and hotels may change, but most employers should be able to negotiate flexible working practices.

This is not to suggest the directive will be without impact. To carry on doing what they already do, some companies will have to do more negotiating and keep more records. As ever, big ones will be best placed to manage, but even small companies should be able to get by, albeit with a heightened hassle factor.

The more enduring impact of the dispute will be political. The UK's relations with its EU partners can only deteriorate further if this issue becomes an obstacle to progress in the intergovernmental conference.

German takeovers

Like German tourists, German companies are staking out claims on more and more foreign shores. Henkel's hostile $1.2bn offer for Loctite of the US follows last year's aggressive takeover of Britain's AAH by Gehe. But the traffic is distinctly one-sided. The only notable attempt by a foreign company to mount a hostile takeover of a German one in the past few years was Pirelli's unsuccessful tilt at fellow tyre company Continental.

The reasons for Germany's impenetrability are well-rehearsed. Most public companies have friendly long-term shareholders in the form of banks and insurance companies. Many also have poison pills, stopping a single shareholder exercising more than 5 or 10 per cent of the votes whatever the size of his stake. Matters are not improved by Germany's new takeover code, which contains no provision for compulsorily mopping up loose shares at the end of an offer. So a hostile bidder could get stuck with, say, 85 per cent of a company and be unable to consolidate it for tax purposes.

Some of these defences are breaking down. Poison pills are on the way out – Continental and RWE have recently abolished them. And banks would probably unwind their industrial stakes if they could get capital gains tax relief. Still, a cultural resistance to hostile takeovers remains. But the more German companies act aggressively abroad, the harder it will be to argue that unfriendly takeovers are quintessentially un-Germanic.

Additional Lex comment on Allied Domecq, Page 19

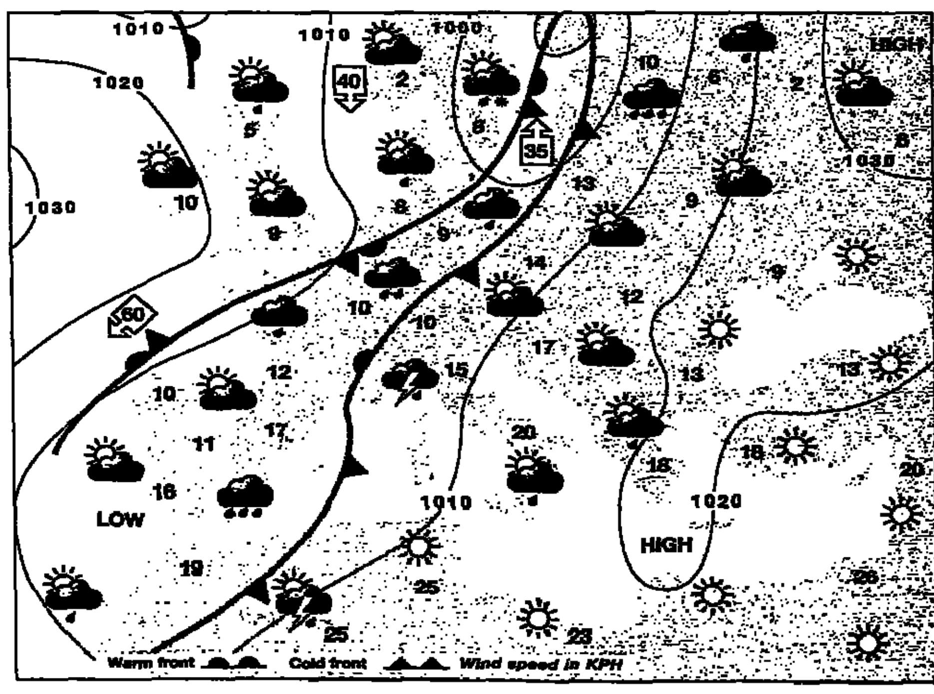
FT WEATHER GUIDE

Europe today

North Sea countries will be settled. Low pressure will promote abundant cloud and precipitation over Scandinavia. Most of the precipitation will be in the form of snow as temperatures stay below freezing. An active low near the coasts of Spain and France will maintain a southerly air flow. The air will gather moisture as it passes over the warm water. Heavy thunder showers will develop as the moist air ascends into the Alps. A northerly air flow will develop over the North Sea resulting in sunny intervals mixed with isolated showers.

Five-day forecast

Most of Europe will be settled for the next few days but heavy thunder showers will persist along the southern slopes of the Alps. High pressure will promote sunny intervals mixed with occasional showers over central Europe.



Situation at 12 GMT. Temperatures maximum for day. Forecasts by Meteo Consult of the Netherlands

TODAY'S TEMPERATURES

	Maximum Celsius
Abu Dhabi	sun 28
Accra	fair 31
Algiers	fair 24
Amsterdam	shower 9
Athens	sun 19
Atlanta	sun 9
B. Aires	fair 26
B.ham	fair 8
Bangkok	fair 35
Barcelona	shower 17
Beijing	sun 9
Belfast	shower 10
Belgrade	cloudy 15
Berlin	rain 11
Bermuda	shower 23
Bogota	fair 20
Bombay	sun 31
Brussels	cloudy 8
Budapest	cloudy 16
C.hagen	fair 8
Cairo	sun 26
Cape Town	sun 20
Caracas	cloudy 30
Cardiff	fair 9
Casablanca	rain 18
Chicago	cloudy -1
Cologne	cloudy 10
Dakar	fair 30
Dallas	sun 23
Delhi	sun 30
Dubai	sun 29
Dublin	cloudy 10
Dubrovnik	shower 19
Edinburgh	shower 10
Faro	shower 16
Frankfurt	cloudy 11
Geneva	thund 12
Gibraltar	thund 16
Glasgow	cloudy 11
Hamburg	shower 8
Helsinki	rain 5
Hong Kong	cloudy 24
Honolulu	fair 29
Istanbul	cloudy 14
Jakarta	shower 32
Jersey	fair 9
Karachi	sun 30
Kuwait	sun 27
L. Angeles	sun 23
Las Palmas	shower 22
Lima	cloudy 20
Lisbon	fair 14
London	fair 9
Lux.bourg	fair 8
Lyon	thund 14
Madeira	rain 18
Madrid	shower 11
Majorca	shower 19
Malta	sun 22
Manchester	fair 9
Manila	rain 29
Melbourne	thund 27
Mexico City	fair 20
Miami	fair 25
Milan	thund 14
Montreal	cloudy -3
Moscow	cloudy 6
Munich	rain 10
Nairobi	shower 26
Naples	fair 19
Nassau	fair 27
New York	fair 2
Nice	thund 18
Nicosia	cloudy 23
Oslo	fair 2
Paris	shower 10
Perth	fair 23
Prague	fair 13
Rangoon	fair 32
Reykjavik	rain 8
Rio	fair 31
Rome	shower 19
S. Frsco	fair 16
Seoul	fair 9
Singapore	shower 31
Stockholm	sleet 4
Strasbourg	rain 10
Sydney	sun 30
Tangier	rain 18
Tel Aviv	sun 27
Tokyo	fair 12
Toronto	cloudy -1
Vancouver	rain 8
Venice	shower 16
Vienna	cloudy 14
Warsaw	cloudy 13
Washington	fair 5
Wellington	shower 15
Winnipeg	sun-10
Zurich	shower 11

FINANCIAL TIMES
COMPANIES & MARKETS
Wednesday November 13 1996

IN BRIEF

Allied Domecq rejects demerger

Sir Christopher Hogg, Allied Domecq chairman, pledged "sustained earnings growth" as he rejected a demerger of the UK alcoholic drinks and retailing group. After years of restructuring and change, it will focus instead on improving performance. The group reported an 11 per cent drop in annual profits before tax and exceptionals to £575m ($949m). Page 19

Henkel sees annual earnings growth
Henkel, the German consumer goods and chemicals company, is confident it can generate higher earnings in 1996. Nine-month pre-tax profits rose 6 per cent with turnover 15 per cent higher. Page 15

Adidas confirms strength in third term
Adidas, the German sports goods manufacturer, underlined the company's strong financial and commercial performance since it came to the stock market a year ago with a 30.8 per cent rise in third-quarter pre-tax profits. Page 15

US stores below expectations
US retailers' profits are running below expectations in the third quarter, according to results announced for three of the biggest store chains. The news triggered a fall in share prices for the sector. Page 17

Westpac improves 19.5% to A$1.1bn
Westpac, the Australian banking group, kicked off the sector's annual reporting season with a 19.5 per cent increase in annual after-tax profits to A$1.13bn (US$88.9m). Page 18

Chinese group in 30-year alumina deal
China's biggest aluminium producer has signed a unique 30-year supply contract and is to pay $240m in advance for raw material from Alcoa World Alumina and Chemicals, which is the world's largest supplier of alumina. Page 24

Companies in this issue

Market Statistics http://www.FT.com

Chief price changes yesterday

FRANKFURT (DM)			**PARIS (FFr)**		
Rises			Rises		
Cont Gel Konz	122.5	+ 6.5	AGF	164.1	+ 6.3
MAN	373.7	+ 4.5	Alcatel	441.0	+ 7.9
Falls			BNP	218.8	+ 16.9
Aachen Mch Rg	1390	- 19	LVMH	1277	+ 30
Hochtief	410	- 2	Falls		
Schmalbach	311	- 9	GTM Entetpse	239.6	- 7.4
VEW	562	- 10	Synthelabo	468.6	- 16.4
NEW YORK ($)			**TOKYO (Yen)**		
Rises			Rises		
HCC Ins Hldg	28⅛	+ 2⅝	Akebono Brke	577	+ 20
Hughes Supply	42	+ 2⅝	Green Cross	568	+ 56
Vesta Ins	30	+ 2⅜	Ikura Chem	535	+ 35
Falls			Kagawalya	657	+ 22
Regenrad	12⅞	- 2	Falls		
Interconme	13⅛	- 1⅛	Cotsaelc	800	- 20
Marvel Enter	2⅜	- 1⅝	Nissan Motor	814	- 13
LONDON (Pence)			**HONG KONG (HK$)**		
Rises			Rises		
BSkyB	529	+ 14	Hutchsn Whmp	57.5	+ 1.0
Dixons	565	+ 18½	Wheelock	19.05	+ 0.5
Oriental Rest	236½	+ 29	Wing On Co	7.95	+ 0.15
Wade Stamp	503½	+ 42	Falls		
Falls			China Light	33.7	- 1.3
Cortecs Intl	191½	- 14	SI Eagle	28.8	- 0.45
Macfarlane Gp	169	- 28½	Wharf Hldgs	35.6	- 0.8
TORONTO (C$)			**BANGKOK (Baht)**		
Rises			Rises		
Maax Inc	17	+ 1.5	Kasng Hust	43.0	+ 3.75
Transat AT	28.5	+ 2.0	Krithorn Krby	31.75	+ 2.75
Wic Westn B	22.0	+ 1.75	S&J Intl Ent	42.25	+ 3.75
Falls			Falls		
Alphanet	15.5	- 1.0	Krung Sirit	42.75	- 4.25
Scintrex	22.0	- 4.0	Thai Poly	33.75	- 3.75
Sherritt Intl	8.25	- 1.15	Univentures	26.0	- 2.75

New York and Toronto prices at 12.30pm.

Trio in race to list first on Easdaq

European market hopes to compete with Nasdaq

By Nicholas Denton and Clive Cookson

Three companies are vying to be the first to come to market on a new European stock exchange for high-technology ventures.

Dr Solomon's Group, a UK company which develops software to combat computer viruses and treat damaged hard disk drives, plans to raise at least $85m, giving it a market capitalisation of about $300m. It is scheduled to begin trading on the Easdaq market on November 26.

Innogenetics – an 11-year-old Belgian company specialising in genetic testing – hopes to raise $70m and achieve a market capitalisation of about $220m. It anticipates listing on Easdaq in the same week as Dr Solomon.

ActivCard, a French developer of smart cards that can validate the identity of personal computer users, is also seeking to be first on to the new Brussels-based exchange.

Easdaq was set up in September to provide a European counterpart to the Nasdaq exchange in North America and stimulate growth of high-tech companies in Europe.

It is designed to encourage venture capitalists to invest in start-up companies by providing an "exit" – the means to realise investments by selling holdings in maturing companies to institutions such as pension funds.

Easdaq expects to see a dozen stocks quoted by the end of January and up to 50 this time next year. But it had not attracted an initial public offering until Dr Solomon, Innogenetics and ActivCard launched their issues.

Dr Solomon is also seeking a listing on the Nasdaq exchange.

Investment bankers said it remained to be seen how much trading would actually take place on the European market.

The Dr Solomon public offering, as well as financing additional research and expansion of the company's North American sales effort, will result in a windfall for its executives.

Dr Alan Solomon, co-founder, will share about $30m of the proceeds with other executives and the company's backers.

The management's remaining 24.4 per cent stake will be valued at about $75m.

Goldman Sachs, lead manager of the Dr Solomon offering, refused to comment yesterday citing Securities and Exchange Commission restrictions.

Hambrecht & Quist is managing the ActivCard offering.

Engine of the digital age, Page 11

New Australian fund to finance infrastructure

Trust seeks to raise A$300m with stock market flotation

By Nikki Tait in Sydney

Australia will get its first listed infrastructure fund next month when Infrastructure Trust of Australia seeks to raise A$300m ($236m) in a stock market flotation.

The launch of the fund reflects the increasing emphasis on private infrastructure projects in Australia – a development spurred by the squeeze on government budgets, the growth in privatisations and by some of the development required for the hosting of the Olympic Games in Sydney in 2000.

The fund is being marketed by Macquarie Bank, the investment banking group, which has been involved in many of the private sector infrastructure projects undertaken.

Some 300m stapled units in the fund are being sold, with about 70 per cent expected to go to institutional investors and the remainder to the retail market.

Macquarie said yesterday that about 25 per cent of the institutional portion was likely to be sold to overseas investors. The initial forecast yield on the stapled securities, at the A$1 per unit application price, is an annualised 9.1 per cent.

ITA is already committed to invest in four tollroad projects in Sydney and Melbourne. Purchasing stakes in these assets will consume A$231.4m although this will be spread over several years.

Macquarie, which will manage the fund, said that it expected ITA to grow fairly rapidly and diversify its holdings as new opportunities came on stream.

Around 10 additional possible investments are under consideration, including a number of projects arising from the impending privatisation of Australia's main airports.

ITA could double in size over the next two to three years, the bank indicated, and further capital raising – probably via rights issues – was likely.

Its investment portfolio will not necessarily be limited to Australia and opportunities could be referred by the bank's London and New Zealand-based offices.

Macquarie conceded that its separate active advisory role in infrastructure projects could pose problems – for example, in the case of the airport privatisations where there are numerous competing consortia advised by other banks.

However, Mr John Cauldron, managing director of the corporate finance division and a director of ITA, said he did not believe that this would seriously limit ITA's investment options.

"My guess is that competitors will want to refer projects to us," he said, claiming that the availability of a ready pool of investment funds would be attractive.

Zap: Ronald Perelman, billionaire investor, is preparing to leap to the rescue of Marvel Entertainment, the New York-based group, whose cartoon heroes include Spiderman (above). However, the salvation may have mixed blessings Report, Page 17

Westinghouse set to hive off industrial arm

By Richard Waters in New York

The board of Westinghouse Electric, the US conglomerate, was due late yesterday to consider a plan that would mark the final stage in one of the more unusual corporate restructurings of the 1990s.

If approved it will turn what was once one of the best-known names in kitchen appliances into a pure media and entertainment group controlling the largest number of television and radio stations in the US.

Westinghouse said five months ago that it was considering separating its newer broadcasting businesses from its traditional industrial operations, which include power generation and refrigerated transport.

The study was prompted by a prolonged decline in the group's shares which had failed to respond to its $5.4bn acquisition a year ago of CBS, the television network company. By shedding its industrial businesses the company could become more attractive to investors in the broadcasting business.

The split-up would also complete a remarkable piece of manoeuvring by Mr Michael Jordan, the former PepsiCo executive and McKinsey consultant recruited in 1993 to turn around the ailing conglomerate. Mr Jordan said he planned to revive Westinghouse's range of industrial businesses while retaining its small but profitable broadcasting operation.

Since then, however, he has shed a substantial part of its industrial holdings and repositioned the company through the purchase of CBS and the pending $3.8bn acquisition of Infinity Broadcasting, a radio station group.

By concentrating on buying radio and television stations, rather than following the fashion of buying companies that produce programming, Mr Jordan has built a TV and radio group with television stations which reach 32 per cent of all US homes, close to the limit set in this year's Telecommunications Act.

As a separate company, the broadcasting business could be worth $20-$22 share, while the industrial group could trade at $3-$4 a share, said Mr Nick Heyman, an analyst at NatWest Securities.

Deutsche Bank seeks to double Asian profits

By Andrew Fisher in Frankfurt

Deutsche Bank, Germany's biggest bank, seeks to double its profits from Asia over the next two to three years as part of its push to become a global bank, Mr Ulrich Cartellieri, a director, said.

It has about DM6bn ($4bn) committed to the region, of which nearly DM2.5bn is working capital and the rest is outstanding loans. This makes the bank one of the region's biggest German investors.

Mr Cartellieri said operating profits from Asia-Pacific countries should be at least DM500m this year. This compares with analysts' estimates of 1996 group profits of about DM5bn, against DM4.2bn last year. "The plan is to reach DM1bn in the next few years," he added.

The group has spent heavily on technology to support its commercial and investment banking activities at a time of regional economic and political volatility. It has increased the capital of Deutsche Morgan Grenfell, the investment banking unit, in Japan by DM600m. The region receives about a third of group investment banking spending.

Deutsche Bank in Asia, Page 14

Barry Riley

Topsy-turvy times when stocks lead bonds

Relationships between the bond and stock markets are intensively monitored and yet are imperfectly understood and poorly predicted. Oddly, this year's further advance by equities on Wall Street – the S & P 500 Index now shows a total return of about 21 per cent since the beginning of January – has been achieved despite a corresponding return of a mere 3 per cent on 10-year Treasuries.

Confusingly, in emerging markets, the pattern has been quite different, as a note from ING Barings' strategy team discusses. Here, bond markets have been leading, with J.P. Morgan's Brady bond index boasting an impressive return of 28 per cent. But the much-touted emerging equity markets have been enduring a very patchy year – with the global indices rising only 6 or 7 per cent.

Different again has been the picture in converging European countries such as Sweden, where bonds and equities have moved roughly together. The Swedish benchmark government bond's total return performance of 15 per cent since January compares with the equity market's Europe-leading capital gain of 26 per cent. It is true, though, that in Italy the stock market has languished despite the big fall in bond yields.

The conventional expectation is that bonds lead equities, with a time margin which is variable but rarely less than three months or more than 12. However, these patterns have related to the mainly closed domestic markets of the past. Even so, nine years ago arbitrage between bonds and equities notably failed in the US, leading to the 1987 market crash. And now it is increasingly common for exogenous capital flows to distort the picture, to the despair of designers of backward-looking tactical asset allocation models.

In the US, bond prices peaked last January, so the equity bull market *ought* to have been on its last legs by now, on purely domestic considerations. Yet there has been a surge of buying of US Treasuries by foreign central banks during the past three months, pushing bond yields lower again and fuelling Wall Street's renewed strength (a 10 per cent gain in 2½ months).

In 1996, global bond managers, flush with liquidity, have been chasing risks

As for the emerging markets, we must note that several of the Asian countries entirely lack bond markets, and anyway neither Brady bonds or emerging equities are normally bought for their income, so it is idle to expect any active yield arbitrage between the two asset classes. Instead, both are likely to be driven by liquidity, possibly in their separate ways.

In 1996, global bond managers, flush with liquidity, have been chasing risks and shunning core markets such as the US and Germany with their poor returns. Currency risks in the outlying European Union countries have been perceived to be overpriced in the context of monetary union. In Latin America, in contrast, the *credit* risks have been seen to be attractive (Brady bonds being dollar-denominated, there is no separate currency risk).

Most Latin American equity markets have outperformed the global emerging stock market indices this year. Disappointments have been more common in Asia, and ING Barings suggests that one problem there may have been the absence of fixed income markets to drive equities higher.

Meanwhile, the continuing strong performance of US equities – notably, perhaps, the 30 per cent resurgence by the technology sector indices since July – has switched US investors off from emerging markets. Remember that the *annus mirabilis* of the emerging equity markets was 1993, a year when Wall Street tracked tediously sideways and US investors searched for action elsewhere.

We can speculate about the potential for the reversal of many of these trends. If foreign support of US Treasuries were to be withdrawn and Wall Street sagged, the fringe bond markets would be badly hit but risk investors might be attracted back into selected emerging equity markets. We should definitely not, however, expect it to be as simple as that.

Deutsche Bank is expanding rapidly in Asia-Pacific, where it aims to generate one-third of earnings within five years. But doubts remain whether it will achieve a reasonable return on its investment. **Andrew Fisher** analyses its plans

Facing a rough ride in the East

Deutsche Bank has big Asian ambitions and is putting in resources to match. Mr Ulrich Cartellieri, a board director, explained recently in Tokyo that the bank had never wanted to be like "the frog beside the well unaware of the great ocean".

Excited by the region's promising growth outlook, Germany's biggest bank has responded with an onslaught of money, personnel and technology. The question is whether its aggressive commitment to expansion will generate an acceptable return. For the moment, Asian profits have yet to match its ambitions.

There are few doubts about the opportunities for banking in Asia. The impulses driving Deutsche Bank's ambitions, part of its drive to become a global bank, include:

■ The sheer dynamism of the region. "The Asia-Pacific region is currently the most interesting region in the world," says Mr Cartellieri, responsible for the bank's Asia-Pacific operations. By 2040, half the world's gross national product is expected to be generated in Asia. Average annual growth in the region is estimated at 7 per cent in the next five years.

■ The need for huge investments in infrastructure. Capital needs for power, telecommunications, transport and water projects in Asia (outside Japan) are projected at $1,500bn over the next 10 years.

■ The jump in intra-Asian trade. This has grown from 25 per cent of total trade volume in Asia (excluding Japan) in 1985 to 37 per cent last year. "In the 1970s," notes Mr Cartellieri, "there was very little intra-Asian trade. The markets were very small, underdeveloped and protectionist. That has changed dramatically."

■ Japanese activity. "Japan is integrating into east Asia at a blinding pace," says Mr Kenneth Courtis, Tokyo-based chief economist for Deutsche Bank Capital Markets (Asia). "For every D-Mark that German companies invest in east Asia, the Japanese invest 3.5 times as much." Around 40 per cent of Japanese direct investment flows into Asia.

■ High savings rates. Asians are big savers. Developing financial markets and the hoped-for liberalisation of Japanese pension fund management should offer big opportunities. "Japan has about $3,000bn in accumulated savings. Much of that is badly managed," Mr Courtis says. "With the liberalisation of the pension market, we will see more Japanese pension funds investing in east Asia," he adds. Mr Cartellieri also expects more Asian savings to be invested regionally.

■ Poorly developed capital markets. "In Asia, the modernisation of financial markets has not kept pace with the dynamic development of the region's economies. This means above-average development in these markets," Mr Cartellieri says. He sees favourable profit potential, especially in project financing and in securities markets.

Yet in spite of the opportunities, a rapid push into Asia carries considerable risks. The region spans many cultures and political systems, and contains economies and financial markets at widely differing stages of development.

The biggest risk is China. "Behind all this is the big question of China and what this colossus will do in the region," Mr Cartellieri adds. A China willing to adapt to the needs and sensitivities of other Asian countries will be conducive to steady economic growth and financial stability.

Another challenge is the need to understand the overseas Chinese community. Mr Jürgen Fitschen, Singapore-based head of corporate and institutional banking in the region, regards this group of dynamic entrepreneurs as vital to the bank's business. "They have a dominant share of private assets." In the Philippines, overseas Chinese make up 2 per cent of the population and own 50 per cent of private wealth. They also have a high share of assets in Malaysia, Thailand, Indonesia and Singapore.

"No foreign bank can be successful in this region without doing business with this group," Mr Fitschen adds. Overseas Chinese are the biggest investors in China and Vietnam. However, financial transparency is often poor and concluding deals requires extreme patience and acute character judgment.

A further problem is that Deutsche Bank is not alone in trying to exploit the opportunities. Although other German banks have less of an Asian presence, and Japanese banks are nursing the wounds of both their previous headlong foreign expansion and their domestic financial problems, Deutsche Bank still has to fight for new business.

It is up against big US investment banks such as J. P. Morgan, Merrill Lynch and Goldman Sachs, as well as Citibank in commercial business. Other competitors include ABN Amro and ING Barings of the Netherlands, Standard Chartered of the UK and Hong Kong and Shanghai Banking Corporation.

Deutsche Bank's main attraction for such customers is not in local business. "We can't compete with Bangkok Bank in baht lending, for example." The German bank can, however, obtain favourable terms on foreign currency funding, as well as provide investment advice and bring companies to the stock market.

Another area of competitive advantage is scale. In the past three years, the bank has spread deep into the markets of Asia, as well as Australia and New Zealand, putting in place a network that covers 18 countries and employs 5,200 people.

Altogether, the bank has around DM6bn ($4bn) of working capital and loans outstanding in the region, Mr Cartellieri says.

In investment banking, Deutsche Bank has strengthened its Asia activities over the past year, with about one-third of the bank's spending in this sector – totalling some DM700m in 1996 – going to the region. Mr Hans Beck, chief executive officer Asia/Pacific for Deutsche Morgan Grenfell, claims: "We probably have the largest presence on the ground of any investment bank". Some 2,000 of the bank's Asia-Pacific staff are in investment banking. By the end of the century, it aims to be one of Asia's top three investment banks, as well as Europe's leading investment bank. "It sounds aggressive. It is aggressive."

Given this headlong expansion, questions remain whether Deutsche Bank can expand this fast and make an adequate return, especially as the region's rate of economic growth is becoming more erratic.

Outsiders also recognise the risk being taken. Mr Dieter Hein, banking analyst at BHF-Bank in Frankfurt, concedes it is important for Deutsche Morgan Grenfell to be well represented in Asia if the bank is to realise its global investment banking ambitions. Since it is hard to compete with the US investment banks on their home ground, a big effort in Asia could help make up for this.

"The strategy is right, but its goals are very ambitious," Mr Hein says. "If the bank wants to share in the growth markets of Asia, it has to be on the spot to support German companies and build up links with local firms." But, he adds, "costs have to be kept under control if this big investment is to produce adequate returns".

Mr Simon Murray, Hong Kong-based group executive chairman of Asia-Pacific, says that when he joined Deutsche Bank three years ago, only a small part of its earnings came from the region. Today, the share is nearly 10 per cent. But the bank admits this is well below what it should be.

Deutsche Bank expects operating profits from the region to reach about DM1bn by 1999, compared with DM500m or so this year (while investments in computer systems and staff are still high). However, it also earns profits outside Asia from business generated within the region. Last year, total group operating profits totalled DM4.2bn, with a first-half rise of 22 per cent this year to DM2.6bn.

With the bank's corporate, trade, lending and other Asia-Pacific business growing at around 25 per cent a year, the proportion of earnings coming from Asia should grow considerably. "If this bank does not have 30 per cent of its earnings coming from Asia in the next three to five years, it will not be a global bank but a European bank," Mr Murray, a former foreign legionnaire, says pointedly.

Overall, Deutsche Bank is seeking a pre-tax return on equity from its Asia-Pacific operations of at least 25 per cent, with some countries already producing much more, Mr Fitschen says. "We expect the highest future returns in India, Indonesia, Thailand and Malaysia." Last year, the whole Deutsche Bank group earned a 14 per cent return, with a target of 25 per cent.

In Asia, it plans to serve some 8,000 corporate clients by 1999 against 6,500 now. About 70 per cent of its corporate clients are Asian, with the remainder divided between German companies and Japanese, US and European multinationals. Mr Fitschen sees the Asian share – much of it with overseas Chinese-owned corporations – possibly rising to 80 per cent.

The next few years will show how well such ambitions can pay off, Mr Murray says. "We're off to the races," he quips.

The bank is out of the starting gate, but it has no doubt the going will be heavy.

Ulrich Cartellieri
director responsible for Asia-Pacific

Simon Murray
executive chairman
Asia-Pacific

Who wields the financial power?

Overseas Chinese in south-east Asia

	Chinese population m	Share of population %	Share of private assets held by Chinese %
Singapore	2.7	77	81
Malaysia	5.8	29	61
Thailand	5.8	10	81
Indonesia	7.2	3.5	73
Philippines	0.9	2	50

Source: M.Backman, Overseas Chinese Business Networks in Asia, Canberra 1995

Henkel optimistic following 6% rise

By Sarah Althaus in Frankfurt

Henkel, the German consumer goods and chemicals company, yesterday said it was confident of achieving higher earnings and double-digit percentage sales growth for 1997 after pre-tax profits increased 6 per cent and turnover 5 per cent in the first nine months.

The Düsseldorf-based company pointed to the stabilisation in the European consumer goods sector and growth in the Asian market. Schwarzkopf, the hair group, in which Henkel took a 77 per cent stake last year, was also expected to contribute to the earnings increase.

Nine-month profits before tax climbed from DM519m to DM550m ($367m). Turnover rose from DM10.6bn to DM12.1bn; domestic sales climbed 12 per cent, and outside Germany sales increased 18 per cent. Acquisitions accounted for the majority of the overall increase.

The results were in line with analysts' expectations and matched the trend at the six-month stage. The shares closed up DM0.20 at DM72.

The company said it was continuing negotiations for a "friendly takeover" of Loctite, the US adhesives and sealants group, in which it holds a 35 per cent stake.

This month, Henkel offered $1.2bn for the the Loctite shares it does not already own. Henkel first expressed interest in the group late last month. The move is compatible with Henkel's shareholder value programme to concentrate on core businesses and dispose of less profitable units.

Loctite registered static profits and a 1.5 per cent increase in sales in the first nine months. In the third quarter, profits climbed 20 per cent and sales 3 per cent.

Henkel's largest division, detergents and household cleansers, lifted nine-month sales 6 per cent to DM3.2bn, supported by growth in Russia, China and Egypt. Its European business was helped by the launch of two brands, and its joint venture with Ecolab, the hygiene products group, increased sales by 3 per cent.

In chemicals, sales rose 3 per cent to DM3.15bn, with a decline in domestic turnover offset by gains in the rest of Europe. Sales of cosmetics and toiletries almost doubled to a record DM1.99bn. New product lines helped improve profitability.

Turnover of industrial adhesives and technical consumer products grew 16 per cent to DM1.88bn, lifted by strong growth in Germany, North America and Brazil.

See Lex, Page 12

Adidas profits surge as sales increase by 34%

By Wolfgang Münchau in Frankfurt

Adidas, the German sports goods manufacturer, reported a 30 per cent rise in third-quarter pre-tax profits from DM14m to DM187m ($124.7m), and a 34.6 per cent increase in sales from DM1.09bn to DM1.47bn.

The result were in line with market forecasts and underlined the company's strong financial and commercial performance since it came to the stock market in an initial public offering a year ago.

The shares reacted positively to the results and the company's optimistic business outlook, closing DM1.20 higher at DM133.70.

Mr Robert Louis-Dreyfus, chairman, predicted further growth. He said the result marked "another major step forward towards realising our mission to become the best sports brand in the world".

He revealed the company's "futures" – the backlog of orders for delivery – in the period from October to March had increased 30 per cent over the same period last year.

Analysts regard the level of futures as an important indicator of future performance, especially in the US market where there is a high correlation between the current level of futures and the future level of sales. In Europe, where retailers are more prone to placing ad hoc orders, futures account for only around 50 per cent of future sales.

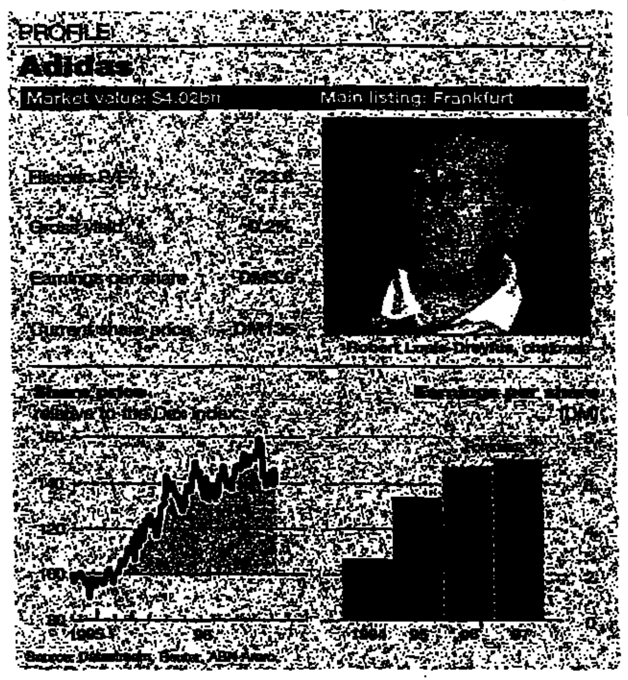
Mr Bernd Janssen, analyst at UBS in Frankfurt, said the results pointed towards stronger growth in sales and profits next year. He forecast further improvements in profit margins.

For the nine-month period to end-September, Adidas recorded a rise in consolidated sales from DM2.84bn to DM3.71bn. Net income was up 29.1 per cent from DM251m to DM324m.

Because of the cyclical nature of the sports goods business, sales tend to be stronger in the first and third quarters.

During the third quarter, Adidas achieved above-average sales growth in the US where sales were up 43.9 per cent to DM314m.

The company views the US as an important growth market, and plans to increase its market share of about 5 per cent to more than 10 per cent in the next three to four years. The driving force behind the overall third-quarter growth was Europe, where sales rose 34 per cent to DM1.01bn. It was the first time that Adidas' European sales had surpassed DM1bn.



Repsol hit by tighter margins in chemicals

By David White in Madrid

Sharply lower profit margins for chemicals caused a 5.6 drop in nine-month net earnings at Spain's Repsol oil group, which is due to be fully privatised early next year. The fall, roughly inline with analysts' forecasts, compared with a 1.1 per cent reduction in the first half.

Attributable net profits for the January-September period were down to Pta86.98bn ($688m), compared with Pta92.15bn at the same stage last ear. Operating profits fell 15 per cent to Pta143.04bn, while turnover rose 3.4 per cent to Pta1,980.9bn.

The group, in which the Spanish government plans to sell its remaining 10 percent stake, said chemicals was the only sector which failed to show improved results. Operating profits from chemicals tumbled by two-third, from Pta57.94bn to Pta18.88bn. The fall in margins affected both basic petrochemicals and derivatives, it said, but added that there were signs of "a slight improvement" in the final quarter.

The group, which was engaged in a petrol price war in Spain, increased its profits in refining and marketing by 3.7 per cent to Pta56.27bn. Earnings from exploration and production, in contrast, soared by 27 per cent to Pta20.92bn.

Gas Natural, the gas distribution company in which Repsol holds a 45 per cent stake, meanwhile announced a 33 per cent improvement in its net profit in the nine-month period, to Pta33.55bn.

It said the rise stemmed from lower interest charges, cost containment and an expansion in its client base. Sales were 12 per cent up at Pta235.79bn, and operating profits about 21 per higher at Pta59.50bn.

The government last week approved plans for selling its 3.8 per cent direct stake in Gas Natural, in an offering aimed at institutional investors.

Sandvik downbeat as earnings tumble 18%

By Hugh Carnegy in Stockholm

Sandvik, one of Europe's leading engineering companies, yesterday reported an 18 per cent drop in profits in the first nine months, and said it saw little sign of an economic upturn in Europe to lift demand.

"Many are talking of signs of an improvement, but we have not seen it yet," said Mr Clas Ake Hedström, chief executive. "I would be very careful in judging the European cycle."

Pre-tax profits at Sandvik, which makes industrial and retail tools, steel products and process systems, fell from SKr4.3bn to SKr3.2bn ($485m). Earnings per share slipped from SKr10.40 to SKr8.90.

But the result still showed a 15 per cent operating profit margin, underlining the ability of Sandvik, one of Sweden's most consistent industrial performers, to produce strong earnings in difficult times.

The group's most-traded B share rose SKr4.50 after the result to close last night at SKr155 in Stockholm.

Sandvik blamed the strengthening of the Swedish krona this year for both the fall in group sales, from SKr22bn to SKr21bn, and for most of the decline in profits.

It said the currency impact in the first nine months chopped SKr400m off profits and it expected the full year impact to reach SKr600m.

Sandvik – headed by Mr Percy Barnevik, the chairman and outgoing chief executive of ABB, the Swiss-Swedish heavy engineering group – said it stood by its earlier forecast of a weak business climate during this year.

It said it expected full-year earnings lower than last year's SKr5.6bn, but added that profitability would remain at high levels.

Cerus plans to sell stake in Cofir

By Tom Burns in Madrid

Cerus, the French group owned by Mr Carlo De Benedetti, the Italian financier, is winding up a 10-year investment in Spain.

It has asked Schroders, the UK merchant bank, to study the placement among international institutions of its controlling stake in Cofir, a Madrid-based holding company.

Cofir was launched at the height of Spain's stock market boom in the late 1980s but is now rated by analysts principally because of its break-up value. It is well positioned in important sectors of the domestic economy. Cerus controls 48 per cent of Cofir, non-Spanish funds own about 30 per cent and the remainder is traded on the Madrid market.

Cofir, which reported net profits of Pta1.6bn ($13.2m) last year, controls NH hotels, Spain's dominant city hotel chain; Berberana, a leading winery; and a medium-sized supermarket chain. It has real estate interests, including a controlling stake in the Sotogrande leisure complex near Gibraltar.

The chief problem of the disposal of Cerus's stake is likely to be pricing. The shares' value has been penalised by Mr De Benedetti's recent difficulties at Olivetti, the troubled Italian IT group. Analysts believe liquidity problems at Cerus have deprived Cofir from developing a coherent strategy as a holding company.

The timing, structure and pricing of the disposal has still to be agreed, but it is understood that Cerus will be seeking about Pta600 a share for its Cofir stake. This is 40 per cent above the trading price in Madrid and values Cerus's holding at about Pta24bn.

EUROPEAN NEWS DIGEST

AssiDomän to cut jobs after 60% fall

Falling prices for pulp and paper products slashed profits by more than 60 per cent in the third quarter at AssiDomän, one of Sweden's big forestry industry groups. Pre-tax profits tumbled from SKr1.02bn at the same stage last year to SKr391m ($59.3m) as AssiDomän suffered from the weak prices and demand.

Over the first nine months, pre-tax earnings fell 52 per cent from SKr3.4bn to SKr1.6bn on sales down from SKr16bn to SKr14bn. Earnings per share for the nine months fell from SKr21.30 to SKr10.15.

Investors were prepared for the profits fall, which was in line with expectations. In addition, an announcement by Assi that it planned to cut up to 800 jobs from its 13,500-strong workforce as part of a restructuring of its core packaging material operations was well received by the market, and Assi shares rose as a result by SKr3.00 on the day to close at SKr165.

However, Mr Lennart Ahlgren, chief executive, warned that it was difficult to judge how prices would develop for wood pulp, the base product for many paper products. Benchmark pulp prices have stabilised around $560 a tonne after tumbling from $1,000, but forecasts of a price increase are now in doubt.

Assi said it would cease its paper-sack making operations outside Sweden and curb staff numbers at plants within the packaging and kraft units. There would be a SKr200m charge made in the final quarter this year to cover the restructuring, which would have full effect from the end of 1997, it said. *Hugh Carnegy, Stockholm*

Nickel deal lifts Eramet shares

Shares in Eramet, the world's biggest producer of ferro-nickel, jumped by more than 6 per cent to FFr276.8 yesterday after the French group announced that a compromise had been reached over the re-allocation of nickel reserves in New Caledonia. Fears that the French government, Eramet's biggest shareholder, might force a sale of some New Caledonia assets and remove chairman Mr Yves Rambaud had been depressing the stock.

Eramet said the compromise would allow Falconbridge of Canada and local Kanak independence groups to use swapped reserves to supply a nickel plant they wished to build in the north of New Caledonia.

Kenneth Gooding, Mining Correspondent

LVMH sales ahead 2.3%

LVMH Moët Hennessy Louis Vuitton, the French luxury goods group, said sales rose 2.3 per cent to FFr20.9bn ($4.12bn) in the first nine months, from FFr20.4bn a year earlier. Champagne and wine sales were FFr3.552bn, against FFr3.238bn last time; Cognac and spirits sales rose from FFr3.44bn to FFr3.698bn; luggage and leather goods dropped from FFr6.295bn to FFr5.467bn; and turnover in the perfume and beauty products division rose from FFr6.133bn to FFr6.439bn. *AFX News, Paris*

■ Peugeot, the French auto group, said sales rose 6.9 per cent to FFr130bn in the nine months to September. *AFX News, Paris*

OBITUARY: Toni Schmücker

A tough and disciplined VW chairman

Mr Toni Schmücker, who became chairman of Volkswagen at a critical time and presided over a remarkable recovery in the mid-1970s, has died at the age of 75.

He was a former executive of the German subsidiary of Ford Motor, where he began work as a commercial apprentice, and of Rheinstahl, the engineering concern. He became VW chairman in 1975 when it had an unsold stock of nearly 600,000 cars and had sunk deeply into the red. Employee morale was at rock-bottom and VW spoke of a crisis of "cosmic proportions".

The pipe-smoking Mr Schmücker admitted later that he had had no idea at the time just how bad the company's position was. The 1974 loss turned out to be as high as DM807m and, for a time, VW had to search frantically for money to pay bills and wages.

He was a tough and disciplined executive from a humble background who did not go to university. But he maintained good relations with the workforce despite severe job losses. The labour force was cut by about 25,000 over two years, unity was restored to a divided board and the new model policy begun by his predecessors, Mr Kurt Lotz and Mr Rolf Leiding, was pursued energetically.

Mr Schmücker's efforts benefited from a strong pick-up in car sales which ensured the success of the Golf, flanked by the smaller Polo and the large Passat. VW was able to recover quickly from the crisis which stemmed from its failure to find a successor to the Beetle.

The decisive action by Mr Schmücker and the market's recovery led to a much lower loss in 1975 and a return to profit the following year. To guard against further crises, Mr Schmücker invested heavily in new production equipment, quality control and the upgrading of models.

However, like other VW chairmen, he was unable to make much of a dent in its high labour costs. Moreover, some of his decisions – though seeming right at the time – later caused controversy. He began Golf production in the US at a plant which was closed in 1987 because of heavy losses.

He resigned from VW in 1981 after a heart attack.

THE MAKING OF AN INSURANCE GIANT

Axa and UAP are merging to create the world's second biggest insurance group. But big is not always better. **David Owen** looks at the logic of the deal and whether management will be able to unite two companies with such differing cultures

'No dilution' for Axa investors

Axa's return on equity is about 10 per cent. UAP's is just 5 per cent: prior to yesterday's announcement, it had the objective of attaining 10 per cent – but only by 2000. Yet the groups involved in yesterday's merger claimed the deal would not be dilutive for Axa shareholders even in 1997 – too early for most of the eventual synergies to have worked their way through.

How can this be so?

The answer, according to some of those close to the deal lies in the treatment of UAP's more than FFr15bn ($2.96bn) of goodwill, the legacy of past acquisitions for which some would now argue the formerly state-owned insurance group had paid too much.

By writing this off immediately, they said, UAP's return on a reduced equity base would be brought – at a stroke – up to a similar level to Axa's. "We are offsetting the dilution," said Mr Henri de Castries, Axa's senior executive vice-president. "The equity is reduced, but you could say the goodwill was illusory. What you will see is the return on the real equity value."

Why did UAP not take this step of its own accord? Because, according to Mr Claude Bébéar, Axa chairman, "they didn't have the money". The merged group, by contrast, will have sufficient capital strength to conduct the write-off without squeezing solvency margins to an undesirable or unacceptable degree. Axa said its initial calculations suggest the merged group would have just under twice the minimum European solvency margin, assuming the write-off takes place.

The complex deal was put together by Goldman Sachs and Paribas for Axa, and Lazard Frères, BNP and J.P. Morgan for UAP.

Under its terms, shareholders will be asked to exchange 10 UAP shares for four Axa shares and four so-called "certificates of guaranteed value".

These certificates may entitle the bearer to an additional cash payment in just over two-and-a-half years, depending on the level at which Axa shares are trading.

If, in June 1999, Axa shares are below FFr392.50 – the equivalent of FFr157 per UAP share – bearers will be entitled to the difference between the actual price and that FFr392.50 level, up to a maximum of FFr80 a share.

The certificates are to be listed and, according to the two sides, will have "an immediate theoretical value" estimated at FFr47.60. Based on the average trading price of UAP shares over the past three months, they said the deal offered shareholders "an immediate global premium" of 39 per cent.

At close of trading on November 8, Axa shares stood at FFr317.70, while UAP shares were at FFr116.90, still well below the April 1994 privatisation price of FFr152.

In terms of synergies, Mr Bébéar said he was confident the merged group would benefit to the tune of at least FFr500m in 1998 and FFr1bn in 1999 – this in spite of a commitment that there would be no "collective redundancies" in the two insurers' home markets.

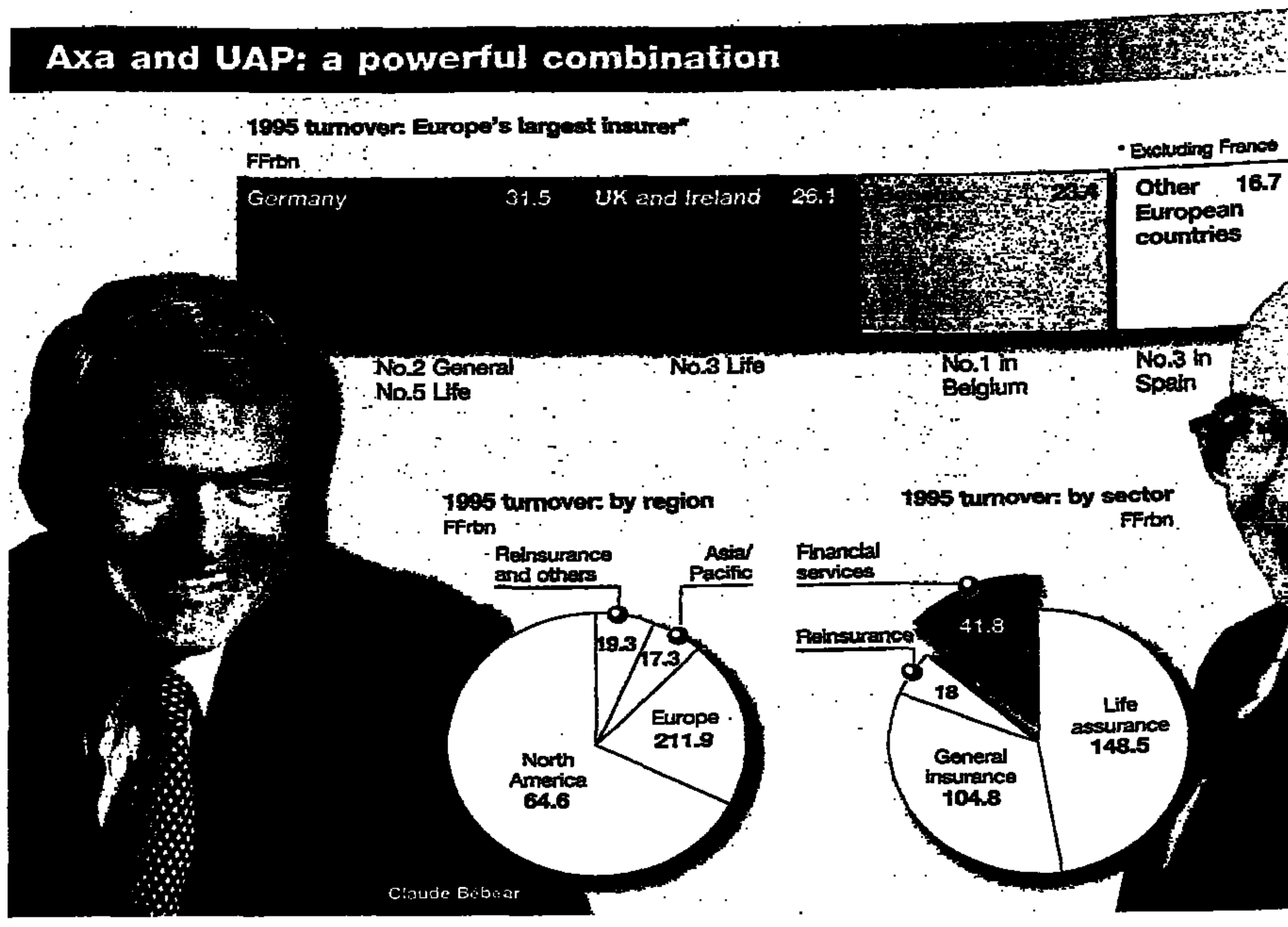
The Axa chairman argued it was less difficult to honour such a commitment for an insurance group than it would be in manufacturing industry. This was because personnel costs for an insurer amounted typically to less than 10 per cent of turnover, compared with a figure that could be as high as 40-50 per cent for a manufacturer.

This does not necessarily mean the merged group's French staff will not be pruned. One possible area for attention identified by observers is the life operations of UAP, whose employee sales force is said to be structurally more expensive than the Axa distribution systems. Turnover of staff is relatively high, however – 17 per cent per year, according to one estimate. This suggests numbers could be cut relatively quickly simply by not replacing those who leave.

Similarly, figures yesterday disclosed by the two partners showed that in French non-life business, UAP's operating ratio is more than one percentage point higher than Axa's. According to Axa, each percentage point of difference is equivalent to FFr150m after tax. Conversely, in the UK, it is UAP's non-life business that is markedly more efficient.

Axa yesterday pointed out that the two groups had combined operating expenses of more than FFr50bn; the anticipated synergies of FFr500m in 1998 represented only 1 per cent of this.

Mr Bébéar also argued that fewer synergies would have been available in a merger between Axa and another large European insurer such as Germany's Allianz or Italy's Generali. "I think UAP is the best we could have done," he said.



Claude Bébéar

Jacques Friedmann

■ **BEBEAR** – By David Buchan

Eternal insurance man

Mr Claude Bébéar was yesterday as upbeat as his Axa insurance company, which recorded a 52 per cent jump in first-half profits this year.

"We have decided to become a global actor" in allying with UAP, said Mr Bébéar, who will become chief executive of the world's second-largest insurer.

In the past 20 years Mr Bébéar has taken Axa from next-to-nothing in Normandy to one of the top 10 insurance groups in the world.

Among French insurers, the 61-year-old Mr Bébéar has the rare distinction of having spent a lifetime with the same private sector company.

He has unswervingly pursued insurance and refused to let himself or Axa be seduced into investing deeply in property, depending heavily on capital market operations, or joining the fashion for bancassurance – distractions which have cost other French insurers dear.

His only known deviation from this single-minded devotion to insurance has been into wine, of which he is a recognised connoisseur. But even then, several of Axa's Bordeaux chateaux are the results of insurance operations – for example, Cantenac Brown, which came to Axa with its acquisition of the Compagnie du Midi insurance company in 1988.

This year has already been a vintage year to illustrate the Anglo-Saxon maxim "think global, act local" that Mr Bébéar likes to quote.

Disentangling himself from a difficult relationship with Generali of Italy, and reinforcing Axa with a FFr5.9bn ($1.2bn) capital increase, Mr Bébéar has got Axa listed on the New York Stock Exchange, consolidated its 51 per cent stake in National Mutual of Australia, and created a $500m Axa-National Mutual fund to invest in China and the rest of Asia.

All this is a far cry from 1958, when the 23-year-old Bébéar made the distinctly unfashionable choice for a young graduate from the elite Ecole Polytechnique and went to work for the Ancienne Mutuelle at Belbeuf, Normandy.

Some 17 years later, he became head of Anciennes Mutuelle, which eventually in 1985 chose to call itself Axa – simply because the name is pronounced the same in all languages and heads almost any alphabetic list.

But the origins of Axa as a group of mutual companies – which still control it – proved useful in preventing the then socialist government nationalising the insurance group in the early 1980s.

■ **THE CULTURES** – By David Owen

Agility set to triumph over bureaucracy

The name of the new group has not been decided. But first impressions yesterday could not have been more clear: it is Axa's Mr Claude Bébéar and not Mr Jacques Friedmann, his opposite number at UAP, who looks set to be the dominant force in this new French giant of world insurance.

This will probably come as a relief to many international investors who might have fretted that Axa's devotion to such Anglo-Saxon concepts as shareholder value and return on equity might have become diluted by close association with UAP's corporate culture, generally seen as stodgy and bureaucratic.

Nevertheless, Mr Bébéar appeared in diplomatic mood yesterday when discussing the future management of the merged entity. "There are things in UAP's culture that are very profitable", he said. UAP had been a big company for longer than Axa – perhaps the merged group would need "a more formalistic structure" than Axa had had until now.

Even so, he insisted it was vital the new group should be able to react quickly to changes and should not become bureaucratic. "The teams within Axa do not want to be a bureaucracy in the slightest", he said. "While I am here I will fight against the temptation to be a bureaucracy. You cannot be a strongly performing company in the long term if you are bureaucratic."

Under the management structure unveiled yesterday, Mr Bébar would be president of th directoire, or executive bard, of the merged company, with Mr Friedmann acting as president of the supervisory board and of a strategic committee. The two sides made much of the similarities between this and typical German management structures. In Anglo-Saxon terms, Mr Bébéar agreed, it amounted to him emerging as chief executive officer of the new group, with day-to-day management responsibility, and Mr Friedmann as chairman, with a more strategic role.

One of the most arresting moments in yesterday's press conference setting out the details of the merger came when Mr Bébéar – who did much more of the talking than Mr Friedmann – explained the importance of decentralisation in ensuring a large company did not become "a mastodon", or juggernaut.

"You must have a small head and lots of little hands everywhere", he continued, conjuring up a vision of a creature of mind-boggling anatomical complexity. "That is why I insisted on decentralisation... We think that the heads of individual countries should be from those countries."

Going back to the name, the only hint Mr Bébéar would give was that it would not be of the indigestible six-digit Axa-UAP/UAP-Axa variety. That appears to suggest it will be either Axa or UAP, or something completely new and different.

■ **IMPACT ON EUROPEAN INSURANCE INDUSTRY** – By George Graham

Critical mass threshold raised

Mr Claude Bébéar's swoop on UAP yesterday raised the prospect that a new wave of consolidation might be about to strike the European insurance sector.

Coming shortly after the merger of Royal Insurance and Sun Alliance in the UK, the Axa-UAP combination would appear to raise the threshold for critical mass in the sector.

But wholesale restructuring may not be just around the corner.

"Markets are getting more volatile and more competitive, but concentration is only part of the story," said Mr Thomas Hess, head of economic research at Swiss Re, the large reinsurer.

Like other financial services companies, traditional insurers are facing increasing competition in their core markets.

Deregulation, forced in some countries by European directives, has changed the nature of the market. Insurers in markets such as Germany and Italy have had to compete for the first time not only on distribution but also on price and product innovation – two areas previously under the tight control of regulators.

At the same time, new competitors, selling through cheaper and more centralised distribution channels such as direct mail and telephone, have called into question the economics of traditional branch and tied-agent networks.

Even though France has not yet seen the upheaval caused in the UK motor insurance market by Direct Line, the telephone insurer set up by Royal Bank of Scotland, its traditional insurers have certainly felt in full the impact of bancassurance, as banks have taken a substantial share of the life market.

But insurance has been less susceptible to economies of scale than many industries, and consolidation has not necessarily been the right answer to these pressures.

In comparison with banking, for example, operating expenses represent only a small proportion of the costs of a general insurer – the bulk is made up of loss claims – so operating efficiency in itself has much less effect on profitability.

The trick of better profitability has lain in achieving better underwriting results, with claims eating up a lower proportion of premium income.

Axa has done better at this than UAP. The companies' "illustration of possible synergies" includes FFr240m ($47.3m) a year of net gains just from bringing UAP's ratios into line with Axa's. The two companies also point to potential net savings of FFr175m a year from a 3 per cent reduction in reinsurance premiums.

Mr Hans-Jürgen Schinzler, chairman of Munich Re, said this week that, with his profits now at a high level, he would be prepared to show some flexibility in order to defend market share, so this saving might be realistic.

But Mr Andrew Jurczynski, partner in charge of the insurance sector at Mitchell Madison, the management consultancy, points out that the insurance industry is becoming more technology-intensive, creating more opportunities for reaping advantage from a merger.

"Insurance has been slower to consolidate than other industries, but the forces driving consolidation are coming," Mr Jurczynski said.

US retailers' profits slip below forecast

By John Authers in New York

US retailers' profits ran slightly below expectation in the third quarter, according to results announced for the three of the biggest store chains yesterday, triggering a fall in the sector's share prices.

Wal-Mart Stores, the largest retailer in the US, announced earnings per share of 30 cents, slightly below the consensus estimate of 31 cents. This was a 12 per cent increase on the 27 cents recorded for the same quarter last year.

Earnings rose in line with sales, while turnover also rose 12 per cent, to $25.64bn, a new record for sales in a quarter.

However, analysts suggested that profit margins had fallen, reflecting mark-downs to clear inventory, while operating, selling and administrative expenses rose from last year's $3.8bn to $4.32bn. This made them equivalent to 16.88 per cent of sales, up from 16.59 per cent.

However, Wal-Mart was helped by a gain on the sale of its film-developing business to Fuji.

Profits were also hampered by the heavy start-up costs incurred overseas, where it continued to expand aggressively. Its international division opened 21 new stores during the quarter, including new units in China and Indonesia, and took an operating loss of $15m in the period, up from $10m a year earlier.

Mr David Glass, Wal-Mart's chief executive, said he was pleased with the figures, and said the company was well positioned for the Christmas holiday season, when turnover normally reaches its peak for the year.

JC Penney, which owns department stores and pharmacies, unveiled net profits of $236m for the quarter, compared with $240m for the same quarter of 1995. This was equivalent to earnings per share of 95 cents, below the consensus forecast of $1.04.

However, the headline figure included a charge of $21m (8 cents per share) for the one-off expenses of integrating Fay's drug stores and the department stores it acquired over the last year.

Selling and general expenses fell as a proportion of sales, from 23.4 to 22.5 per cent.

However, the company's banking and insurance division saw profits fall 3.8 per cent on the third quarter of 1995 because of bad debts. Net interest expenses were $92m, up 58.6 per cent from $58m in the same quarter last year.

Home Depot, the DIY and home improvement retailer, announced net profits of $221m, and earnings per share of 46 cents. This was exactly in line with analysts' forecasts, and was a 26 per cent increase on earnings in the third quarter of 1995.

The market reacted adversely to the results, with the shares of all three retailers falling significantly in early trading. Wal-Mart took the biggest fall, dropping $1¼ to $25¼, while Home Depot fell $2⅝ to $54, and JC Penney $⅝ to $51⅞.

USAir sees influence of BA coming to an end

By Tracy Corrigan in New York

Mr Stephen Wolf, chairman and chief executive of USAir, yesterday told analysts that he did not expect British Airways to be allowed to exercise continued influence on the USAir board if BA's alliance with American Airlines went ahead.

BA still owns a 25 per cent stake in USAir and has three seats on its board. But Mr Wolf also said there was no reason why BA should have to sell its stake.

USAir has brought anti-trust charges against BA over the UK airline's proposed transatlantic link with AA. Last month, USAir said it would end its code-sharing and frequent flier programme with BA next year.

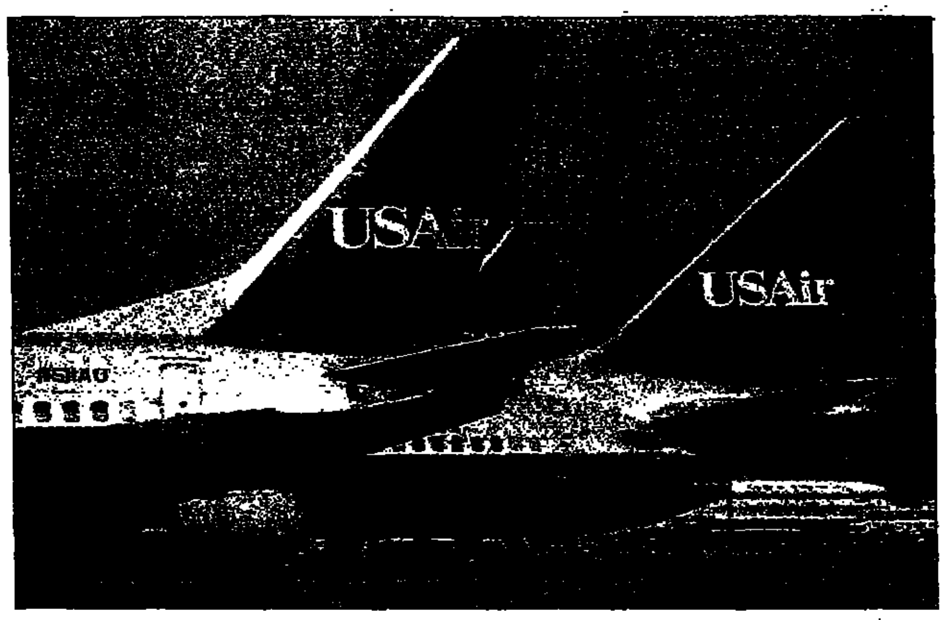
Mr Wolf was speaking after the company unveiled plans to change its name to US Airways and its logo to a stylised version of the American flag.

The new corporate identity, due to be introduced early next year, will be visible throughout the airline, with redesigned airport terminals and ticket jackets and a new frequent traveller programme and in-flight magazine. The flag symbol, in light grey, will be on the tail of every aircraft in the fleet. The symbol represents "the intent to be national and international in scope".

USAir is keen to increase the number of international long-haul routes it flies, since they tend to be more profitable. It already flies to Frankfurt and Paris, and since the summer to Madrid, Munich and Rome. The airline has applied to serve London's Heathrow Airport from Boston, Charlotte, Philadelphia and Pittsburg.

Mr Wolf declined to reveal the cost of the logo change, describing it as "a limited amount of money".

Observer, Page 11



USAir is to replace its old livery with a new corporate identity early next year

Tony Andrews

Perelman set to leap to Marvel's rescue

By Richard Waters in New York

Like one of the company's own comic-book superheroes, Mr Ronald Perelman, billionaire investor, is preparing to leap to the rescue of Marvel Entertainment.

But for the embattled company's shareholders, this particular salvation is likely to prove a decidedly mixed blessing.

Marvel said yesterday that Mr Perelman's Andrews Group, which already controls the company, had proposed to inject another $350m in equity. For a company struggling to fend off a worsening cash crisis, that could make the difference between survival and bankruptcy.

Marvel warned, though, that the result of Mr Perelman's move would be "substantial dilution" for its minority shareholders. Marvel's stock tumbled on the news, falling to $2⅝ by yesterday lunchtime in New York – a drop of $1⅞, or 40 per cent. Three years ago, the stock had hit a high point of $34.

The New York-based company, whose cast of cartoon heroes is headed by Spiderman, said that a special committee of its directors had been formed to consider the proposal.

However, alternative rescue scenarios seemed in short supply yesterday, and Mr Perelman, who already has an 80 per cent stake, would have a veto over any rival refinancing.

The depth of Marvel's financial distress is apparent from the company's latest quarterly results, which were released yesterday. Marvel has been beset by a declining share of the comic book market for some years, while a move into related areas such as trading cards has landed it with substantial debt but little in the way of earnings.

Its revenues slumped to $209m in the three months to the end of September, a decline of 22 per cent from a year before.

In spite of a $22m profit from the sale of an equity holding, the company recorded an after-tax loss of $12.5m, or 12 cents a share, in the latest period, compared with a profit of $19.6m, or 19 cents, the year before.

The outlook remains gloomy. The company forecast that earnings from operations next year, before overheads, would be $30-$50m – not enough, it added, to service its debts.

Marvel revealed recently that it was in breach of its lending covenants, and was in discussion with its bankers about a restructuring of its debts.

Mr Perelman's new investment would be dependent on the willingness of the company's banks to make additional credit available.

Magellan makes switch to technology sector

By John Authers

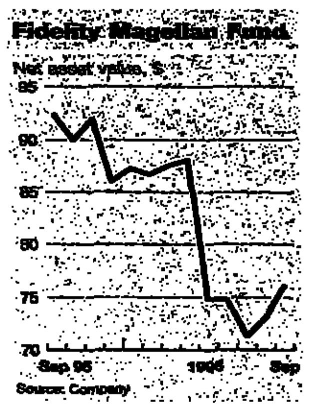
Fidelity's Magellan, the largest and most closely watched mutual fund in the US, has made a big switch from bonds to technology stocks, it announced yesterday.

Mr Robert Stansky, who was appointed the fund's manager in May, has decided to reverse the disastrous move into bonds made by his predecessor, Mr Jeffrey Vinik, who resigned to set up his own asset management company.

Mr Vinik made the switch believing that the stock market would fall this year. This proved to be wrong, and the fund, traditionally one of the top performers in the mutual fund industry, ranked 590th out of 628 US equity growth funds for the 12 months to the end of September.

Magellan's total asset value stood at $79.95bn on Monday – a recovery from its trough of $71.32bn in July, but well below its high of more than $95bn last year.

The intense publicity surrounding Magellan is regarded as a factor in Fidelity's weakening competitive position this year. It is still the largest mutual fund manager by total assets, but market surveys suggest that Vanguard, the second-largest, has taken in more new investments in the year to date, while Putnam, the fifth-largest, is only slightly behind.



During September, Mr Stansky raised the equity share of Magellan's portfolio from 83.9 to 88.9 per cent. Bonds were cut to 9.8 per cent, compared with 19.3 per cent under Mr Vinik, while cash holdings fell to 1.2 per cent, down from 8.5 per cent six months earlier.

Most of the new money for equities was funneled into technology stocks, whose weighting rose from 6.7 per cent to 10.1 per cent. Energy, at 13.1 per cent, remains the largest sector.

Intel and IBM, both large technology stocks, joined the fund's 10 largest holdings during September, and Mr Stansky also bought holdings in Cisco Systems and Oracle during the month.

Commenting publicly for the first time since taking over as manager, Mr Stansky made clear his differences with Mr Vinik.

He said that, as a rule, he would consider a significant investment in fixed-interest securities only if bond yields exceeded the annual return of the stock market. With annual stock market returns averaging 12 per cent, and bond yields hovering around 7 per cent, he did not find bonds attractive.

But he added he had reduced the holding "opportunistically". "My goal has been to get the best price for [it] in the marketplace, taking advantage of up days in the bond market to sell," he said.

He also reiterated that he was a "growth" investor, looking for reasonably priced stocks with the potential for significant earnings growth in the next few years.

Sunbeam chief plans to cut workforce by 6,000

By Richard Waters

Mr Al "Chainsaw" Dunlap, probably the best-known corporate cost-cutter in the US, lived up to his Wall Street nickname yesterday with plans to slash 6,000 jobs at Sunbeam, the consumer products company he has headed for less than four months.

The overhaul, besides halving the company's workforce, involves the sale or closure of 18 of its 26 factories and the reduction of its total number of facilities from 53 to just 14.

Wall Street has cast a powerful vote of confidence in Mr Dunlap, who has been the country's most controversial senior executive during a year in which "downsizing" has become a national political issue.

Sunbeam's shares were trading yesterday lunchtime at $25⅛, down $¼ on the day but more than double their level when the former Scott Paper chairman was appointed in July.

The overhaul at Sunbeam would involve selling non-core businesses, such as its furniture operations, the company said. This accounts for 3,300 of the job cuts. The company plans now to concentrate on a narrower range of businesses, including kitchen appliances and healthcare.

The restructuring is expected to lead to a pre-tax charge of $300m, the company said, though it would yield savings of $225m a year.

Mr Dunlap has thrived on his reputation as a hatchet man. Yesterday, though, he was at pains to demonstrate a less familiar side, emphasising the growth he plans for Sunbeam's remaining businesses. International expansion and new products would triple international sales to $600m and double overall sales to $2bn by 1999, he said.

The company's future, he added, was summed up in its latest advertising slogan: "There's a new Sunbeam shining."

AMERICAS NEWS DIGEST

UK equities out of favour in US

Sentiment among US fund managers has turned against UK equities since last month's rise in base rates, and their favoured destination for investment is now continental Europe, according to a survey by Merrill Lynch, the investment bank. Its survey of fund managers in 53 different institutions, conducted last week, found that the number of prospective sellers out-numbered buyers by a balance of 2 per cent. This is a sharp swing from early in October, when bulls on the UK outlook out-numbered bears by 40 per cent.

It also found that the proportion planning to reduce their weighting in US equities was 10 per cent greater than the proportion planning to increase them. Last month there had been as many planning to buy in the short term as to sell. Within the US, financial stocks, which benefit from low interest rates and where there is widespread consolidation, remain the most popular sector, with 26 per cent of managers rating it their most favoured sector.

However, bearish expectations for the economy meant that only 2 per cent favoured consumer cyclicals. Only 25 per cent of the managers questioned predicted that the world economy would improve over the next year, while a majority of managers intended to increase their cash holdings.

John Authers, New York

Bre-X shares hold up

Shares in Bre-X Minerals, the Canadian mining company, have held firm in Toronto after jumping C$2.40, or 10 per cent, last week, following rumours that the Indonesian government will soon provide a "work contract" for development of the company's Busang gold project. The work contracts required by Bre-X and other exploration companies contain the regulatory conditions under which foreign firms can explore and develop mining properties in Indonesia.

A month ago Bre-X hoped it would get the go-ahead for its Busang property in East Kalimantan, estimated to contain 50 to 100m ounces of gold, but the government said it would not issue a work contract until Bre-X resolved a dispute with two Indonesian partners. In all there are more than 50 work contract applications by foreign companies, mostly Canadian. Bre-X linked up with an Indonesian conglomerate led by President Suharto's eldest son to try to move its project ahead.

No comment was available yesterday from Bre-X in Calgary. But some analysts continue to speculate that a bidding war could soon start for the company. Barrick, Placer and Newmont have been widely mentioned as potential bidders.

Robert Gibbens, Montreal

Charge hits Onex

Onex, Canada's leveraged buy-out specialist, posted third-quarter profits of C$500,000, or 2 cents a share, after a C$18m special charge and losses at two US subsidiaries, against C$39.8m, or C$1.07, a year earlier, including a special gain. Revenues were C$2.14bn, up 23 per cent from C$1.74bn.

Nine-month earnings were C$43.4m, or C$1.18, against C$76.1m, or C$2.05, on revenues of C$6.4bn against C$4.5bn. The revenue increase was partly due to a new acquisition. Onex's holdings are mainly in airline catering, electronic services and car parks in North America and Europe.

Robert Gibbens

Westpac ahead but forecasts difficult year

By Nikki Tait in Sydney

Westpac, the Australian banking group, yesterday kicked off the sector's annual reporting season with a 19.5 per cent increase in after-tax profits to A$1.13bn (US$889m) in the 12 months to end-September.

The improvement came largely from a lower charge for bad and doubtful debts of A$121m, compared with A$330m the previous year. Mr Bob Joss, managing director, conceded that underlying profits were slightly lower than last year, reflecting increasing competition.

He suggested that 1996-97 would be "a tough year". Westpac, he said, was planning to do "a little bit better over the year", although the improvement might be greater in terms of earnings per share, because of a share buy-back plan. Asked whether profits themselves would rise, he said: "I think it'll be tough to make [profits] rise, but it's possible".

Westpac shares fell 15 cents to A$7.05 on the figures.

The bank said interest income increased 18.8 per cent to A$8.52bn, while interest expenses rose 25.7 per cent to A$5.27bn, leaving net interest income up 9.1 per cent at A$2.98bn.

However, Westpac confirmed that interest rate margins had been under pressure in all its businesses in Australia and New Zealand, with the overall group margin falling from 3.8 per cent in 1995 to 3.7 per cent.

Non-interest income grew 6.1 per cent to A$1.49bn "in an environment of aggressive discounting of lending and risk fees ... in both the housing and business markets".

There was a 15 per cent rise in expenses to A$3.06bn. Westpac said this partly reflected the acquisitions during the year of the Perth-based Challenge Bank and New Zealand's Trust Bank and associated restructuring expenses. Excluding these costs, non-interest expenses were only 5 per cent higher.

However, the expense-to-income ratio – before intangibles, restructuring costs and abnormals – stood at 62.5 per cent, compared with last year's 60.6 per cent. Mr Joss said the aim was bring this below 60 per cent.

The two acquisitions contributed a small A$1m loss after tax and amortisation of intangibles. Westpac said it was looking to them for a positive contribution to earnings per share growth in the current year, with Challenge being fully integrated this month and synergies from Trust Bank emerging in 1997 and 1998.

Earnings per share were 58.9 cents, up from 49.8 cent previously. The return on total equity also improved, from 12.5 per cent to 14 per cent.

● Meanwhile St George Bank, the Sydney-based regional bank which is seeking to merge with neighbouring Advance Bank to become Australia's fifth-largest bank group, announced a 17.7 per cent increase in after-tax profits to A$159.5m.

However, it warned that interest spreads were expected to contract in the year ahead. "While the board anticipates earnings to remain at a satisfactory level, it acknowledges that competition within the banking sector will remain intense, resulting in additional pressure on margins and a flatter result in 1997," it said.

St George shares eased 15 cents to A$8.51.

ASIA-PACIFIC NEWS DIGEST

Chiyoda president to retire early

The president of Chiyoda, one of Japan's largest industrial plant engineering companies, is being forced to resign earlier than expected because of the company's poor performance this year. Mr Masaaki Kashiwara will resign on December 1 to take responsibility for the company's poor results, Chiyoda said in an unusually straightforward admission. Mr Masato Kitagawa, vice-president, will replace him.

Chiyoda, which specialises in oil refining and petrochemical plants, had been expecting to make a moderate profit of Y1.5bn ($13.5m) this year but is now expected to forecast a pre-tax loss of Y17bn due to fierce competition and a sharp increasing in its procurement from overseas to 70 per cent of the total.

The intense competition to win orders overseas has claimed other victims. Nikki, another leading plant engineering company, also revised its full-year forecast from a profit of Y2.5bn to a loss of Y9.5bn.

Michiyo Nakamoto, Tokyo

Thai satellite launch delayed

Shinawatra Satellite, Thailand's only private satellite operator, said it would delay the launch of its Thaicom 3 satellite for two months until February 1997, a move that analysts said could lower 1997 profits by as much as 28 per cent. The company said the delay was needed to give the satellite's manufacturer, Aerospatiale of France, time to increase the transmission power.

There has been some concern that Thaicom 3's orbital slot was too close to a satellite to be launched next year by APT Satellite of China. Increased transmission power should limit the danger of interference, analysts said.

Brokerage house Seamico Securities forecast that 1997 net profits at Shinawatra Satellite would fall 28 per cent to Bt515m ($20m) due to the delay, adding that if the company went ahead with its plans to launch its fourth satellite, Thaicom 4, within six months of launching Thaicom 3, a capital increase was likely. Merrill Lynch said it had revised Shinawatra Satellite's 1997 net profit estimate downward by 13 per cent to Bt402m due to the delay.

Ted Bardacke, Bangkok

Mayne 'pursuing' Optus issue

Mayne Nickless, the Australian transportation, security and healthcare group, told shareholders it was still "vigorously pursuing" strategies which might allow a flotation of the Optus Communications group to go ahead in 1996. Mayne holds a 25 per cent interest in Optus, which it had planned to sell as part of the flotation scheme.

Some estimates have put a A$4bn (US$3.15bn) market price on Optus, suggesting the Mayne stake could realise around A$1bn. However, timing of the Optus float has been thrown into question by a court case involving the Optus Vision pay-TV offshoot.

"I can assure you that, as previously stated, we will inform Mayne Nickless shareholders in the event that a float is not achievable in calendar 1996," Mr Ian Webber, Mayne chairman, told shareholders at yesterday's annual meeting. Other shareholders in Optus include Cable and Wireless of the UK, BellSouth of the US and a number of Australian institutions.

Mayne also announced that its healthcare subsidiary, Health Care of Australia, had acquired Hampson Pathology, the second largest pathology provider in New South Wales, for an undisclosed sum.

Nikki Tait, Sydney

Prime TV buys Golden West

Prime Television, the largest regional TV operator in Australia, is to buy the Golden West network, in Western Australia from Mr Kerry Stokes, the Perth-based businessman who is also the chairman and largest shareholder in the national Seven Network. The consideration will be A$71m (US$56m), and the deal comes in the wake of Mr Stokes's abortive efforts to sell Golden West to Seven for a slightly higher A$73m earlier this year.

That deal ran into problems when Australia's competition authorities objected to exclusive programming arrangements between Golden West, Seven and Mr Kerry Packer's Nine Network.

Nikki Tait

Japanese watch sector improves

By Daniel Bögler in Tokyo

Restructuring, cost-cuts and reviving overseas sales are leading to better times for Japanese watchmakers.

Seiko, the country's leading manufacturer of timepieces, saw unconsolidated pre-tax profits jump from Y88m to Y1.15bn ($10.3m) in the six months to September. Its main rival, Citizen Watch, increased profits 40 per cent to Y5.86bn.

Seiko's watch division lifted sales 13 per cent to more than Y63bn, while Citizen's advanced 5 per cent to nearly Y55bn.

Both companies said a weaker yen had boosted overseas sales, particularly of higher-priced models such as titanium watches. Citizen also noted an improvement in consumer spending in Japan, though it warned that the business environment remained severe.

While the improvement in sales has helped, the main cause of higher profitability has been recent restructuring.

Both companies have reacted to declining prices in their core watch businesses by seeking to increase productivity and shift manufacturing overseas. Citizen has cut the production costs on its watch movements – the electronic centrepiece of a watch – by nearly 50 per cent over the last five years.

While their watch operations are increasing sales, both companies reported overall sales declines as a result of problems at other divisions.

Citizen, which saw first-half sales fall 7 per cent to Y100bn, derives more than 55 per cent of turnover from electronic equipment and industrial machinery. Its sales of floppy-disk drives and personal computers have suffered as clients have shifted sales offices overseas.

Seiko is currently reorganising after last year's Y21bn net loss. It has moved its poorly performing clock and spectacles divisions to other subsidiaries, leading to a 7 per cent decline in sales to Y101bn.

For the year to March, Seiko forecasts pre-tax profits of Y2.5bn, up from Y1.1bn, on sales down 11 per cent at Y192bn. Citizen expects sales of Y200bn, down 2 per cent, and ordinary profits of Y11bn against Y7.3bn.

Impossible mission accomplished

BOC India has been transformed into an aggressive competitor

Left to right: Mr Shashi Prassad MD, BOC India; Dr T. Mukherjee, Tata Steel; Mr S. Ahmad, BOC personnel manager at Jamshedpur; and Mr David John, BOC Group chairman

Mission impossible. That might legitimately describe the challenge facing Mr Shashi Prasad, managing director of BOC India, when he joined the company in 1991 from the Bombay subsidiary of Sandoz, the Swiss chemical company.

BOC then had its back against the wall, Mr Prasad recalls. Its profits were falling fast and with a workforce of 5,400 it was desperately overmanned. "I had to tell the unions that, with the erosion in profits, we wouldn't survive."

Five years later the company is transformed. The workforce has been cut to 1,570 and new orders are flowing in. BOC of the UK, which has already increased its stake once to 51 per cent from 40 per cent in 1993, is planning to inject a further £200m ($329m) over the next five years. That will raise its holding to 74 per cent, the maximum that the government will allow.

It is a feat made all the more remarkable by the background of India's restrictive labour laws which require companies employing more than 300 people to obtain government permission for lay-offs.

Moreover, BOC India is headquartered in Calcutta, capital of West Bengal, where unions have a well-earned reputation for militancy. Mr Jyoti Basu, West Bengal's long-standing communist chief minister, also happens to be president of BOC's main trade union.

Finance ministry officials in Delhi hold BOC's restructuring up as an example of what managements can achieve in spite of the labour laws. They say BOC's experience shows labour deregulation is one of the less urgent aspects of economic reform. That may be going too far. BOC's experience may not be that easy to replicate, businessmen say.

With redundancy charges totalling Rs400m ($11.2m), its restructuring has been expensive for a company with a turnover of only Rs2bn and expected net profit this year of about Rs120m.

Part of the reduction in the workforce came through the sale of its welding business, which employed 1,600 people, but BOC's approach would be difficult for large state-owned enterprises where overmanning is at its worst. They could not afford it with tiny returns of about 2 per cent, Mr Prasad says, and they could not manage it because of difficulty in communicating with their workforces that often number as many as 20,000.

BOC believed it was vital to establish a principle of direct, humane and straightforward dealing with both the unions and the workforce. Paradoxically this was done by adding to the workforce at the outset. The company had a rule requiring it to replace any employee who died by taking on a close relative. There was a backlog of 32 vacancies when Mr Prasad arrived. He insisted they be filled within a month.

It then remained to convince the workers that the company's situation was indeed parlous, but the redundancy scheme brought in was both generous and voluntary. The attitude of managers was also a problem because they were used to defining their status by the number of subordinates beneath them. So they were given targets for reducing manpower and performance pay if they met them.

And, surprisingly, the government acquiesced. Mr Prasad says BOC never asked it for formal permission to retrench because the system was voluntary.

"We accepted it because it was voluntary," says Mr Sujit Poddar, a consultant who was Mr Basu's political adviser at the time. "We do not oppose restructuring in principle. We know that in the global market all means of production are being made more efficient and that, if you are not competitive, you can't survive."

Now, says Mr Prasad, BOC India can start trying to raise its profits by expansion, rather than by cutting costs. This year's net earnings of about Rs120m will be struck only after a further Rs30m redundancy charge. After adjusting for that, the underlying net margin is about 7-7.5 per cent, whereas it should be closer to 10 per cent.

Among its new contracts are a £35m deal to supply Tisco with an air separation unit for its new steel plant in Jamshedpur, and a similar deal for £30m with Bhilai steel plant of Sail. BOC has also signed a contract to supply Ispat Industries with gas products for its 3m tonne hot-rolled coil unit in Maharashtra.

One of the benefits of the restructuring is that it encouraged BOC of the UK to acquire a majority stake. "BOC India is part of the global BOC family," says the UK company's chairman, Mr David John. The change in status has given it access to "technologies developed in different parts of the world."

In India's growing economy, demand for gas is rising, but so is competition. BOC has to compete with other multinationals like Praxair and Air Products of the US, as well as Air Liquide of France. But now it feels it is on a firmer footing. "We have become an aggressive player," says Mr Prasad.

Peter Montagnon and Kunal Bose

Suzuki Motor just ahead at midyear

By Daniel Bögler

First-half profits before tax and extraordinary items at Suzuki Motor rose by just 3 per cent to Y10.6bn (US$95m), with flat overseas sales largely offsetting improving demand in Japan.

Group sales for the six months ending September 30 were 5 per cent higher at Y583bn. Despite the depreciation of the yen over the past year, exports remained at the same level as last year's first half.

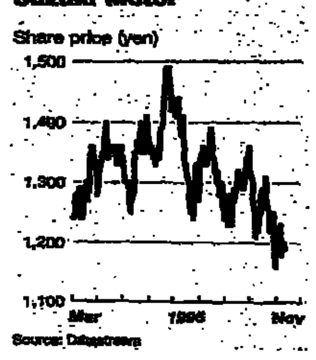
The company, which specialises in small cars, motorcycles and outboard motors, benefited from the continued popularity of its Wagon R mini-vehicle and Cultus passenger car models in the domestic market, where turnover was up 8 per cent.

In the motor cycle division, unit sales fell but revenues rose, thanks to strong sales of large-engined models.

Suzuki, the world's 12th largest vehicle manufacturer, has set itself an ambitious target of capturing 5 per cent of the world market for cars and light four-wheel-drive vehicles by the end of the decade. This would require it to more than double its current sales.

For the full year to next March, the group is forecasting a pre-tax profit of Y30bn, marginally higher than the previous year's Y29.8bn. Sales are projected to rise 3 per cent to Y1150bn.

Suzuki is proposing to pay an unchanged interim dividend of Y3.5 a share.



News Corporation shares fall 2%

By Nikki Tait

Shares in Mr Rupert Murdoch's News Corporation fell 15 cents – or more than two per cent – to A$6.97 yesterday after the media and entertainment group announced that higher profits from its UK newspaper and film interests had been offset by a slump in book publishing and television earnings in the first quarter.

News said profits after tax but before abnormal items for the three months to end-September were A$286m (US$225m), compared with A$281m in the same period a year earlier. Operating revenue was A$3.15bn, marginally higher than last time's A$3.13bn.

There was a small A$2m abnormal charge this year, compared with a A$24m surplus in the first quarter of 1995-96, leaving bottom-line profits at A$284m, down from A$305m previously.

At the pre-abnormal level, this translated into earnings per share of nine cents, unchanged from a year ago.

Mr Murdoch had already warned that first-quarter figures would fall short of the 20 per cent profits increase News was hoping to post for 1996-97. The company also said yesterday's results showed a seven per cent improvement in US dollar terms, but that the strengthening Australian dollar had masked this gain.

Within the flat result, there was a strong performance from the Fox film unit, where operating profits more than doubled to A$96m against A$40m last time, thanks to the box-office success of "Independence Day".

The UK newspapers also did well, posting an 18 per cent gain in operating profits. News said results from The Times had been particularly "robust", with average daily sales up by 19 per cent compared with a year ago, and advertising revenues up 30 per cent.

The Australian newspapers, by contrast, saw a six per cent fall in earnings, leaving the newspaper division overall making A$112m compared with A$108m a year earlier. Losses from Star TV, the Asian satellite broadcaster were "in line with expectations".

The weak spots were the US television operations, which posted a fall in profits from A$111m to A$67m,and the book-publishing side, where earnings slumped from A$57m to A$17m. The 1995-96 results included the educational publishing business – since sold – but News said the performance also reflected the slump in the adult book market and "industry-wide" returns.

Associated companies contributed A$75m compared with A$77m last time. BSkyB, the British satellite broadcaster in which News holds a 40 per cent interest, saw after-tax profits surge by 30 per cent to £66m ($109m) in the quarter, with total subscribers now put at 5.65m. However, Ansett, the Australian airline in which News holds 50 per cent, saw lower results, due to competition on Japanese routes and start-up costs on other Asian services. Ansett recently announced a loss for 1995-96.

First-quarter group results were struck after interest charges of A$144m, against A$148m last time.

LEGAL NOTICES

No. 005501 of 1996

HIGH COURT OF JUSTICE
CHANCERY DIVISION
COMPANIES COURT
MR REGISTRAR

IN THE MATTER OF
PEGASUS HOLDINGS PLC
- and -
IN THE MATTER OF THE
COMPANIES ACT 1985

NOTICE IS HEREBY GIVEN that the Order of the High Court of Justice (Chancery Division) dated 30th October 1996 confirming the reduction of the share premium account by £4,567,857 of the above-named Company was registered by the Registrar of Companies on 5th November 1996.

Messrs Gouldens
of 22 Tudor Street
London EC4Y 0JJ
Solicitors for the
above-mentioned Company

No. 005502 of 1996

HIGH COURT OF JUSTICE
CHANCERY DIVISION
COMPANIES COURT
MR REGISTRAR

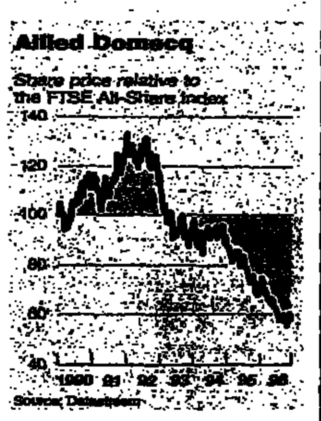
IN THE MATTER OF
PEGASUS RETIREMENT HOMES PLC
- and -
IN THE MATTER OF THE
COMPANIES ACT 1985

NOTICE IS HEREBY GIVEN that the Order of the High Court of Justice (Chancery Division) dated 30th October 1996 confirming the reduction of the share premium account by £2,686,628 of the above-named Company was registered by the Registrar of Companies on 5th November 1996.

Messrs Gouldens
of 22 Tudor Street
London EC4Y 0JJ
Solicitors for the
above-mentioned Company

LEX COMMENT

Allied Domecq



Allied Domecq's decision not to break itself up was greeted with dismay by investors, but it looks the right option for the moment. Demerger costs would have run into hundreds of millions. But more importantly, diverting management attention from the challenge of turning around its ailing spirits business could have been disastrous for valuations, whatever the corporate structure. Over time, these concerns could be sufficiently alleviated to justify splitting retail and spirits businesses whose combination has no industrial logic. But the current emphasis must be on improving Allied's hitherto inadequate management performance.

Fortunately, Sir Christopher Hogg, chairman, clearly expects senior management to hit their targets or depart. Most targets are not revolutionary. But a keener focus on cash should improve working capital management and therefore cashflow. And Allied is finally talking of achieving returns on investment which exceed its cost of capital. Since this is a hurdle which no Allied acquisition has come close to clearing in decades, this should put an end to value-destroying deals.

Nonetheless, Allied has much the weakest brand portfolio of the big four spirits companies and less cash to support brands, so it is fighting an uneven battle. Recovery will come from a long hard slog rather than a few quick fixes. And with a prospective price/earnings ratio already slightly higher than Guinness, it looks too early to jump on this recovery bandwagon.

■ Group pledges 'sustained earnings growth' after decline

Allied Domecq rejects demerger

By Roderick Oram, Consumer Industries Editor

Sir Christopher Hogg pledged "sustained earnings growth" for Allied Domecq yesterday as he rejected demerger of the alcoholic drinks and retailing group he has chaired since April.

After years of restructuring and change, the company will focus instead on improving its performance, he said as Allied reported an 11 per cent drop to £575m in profits before tax and exceptionals for the year ended August.

His decision to back the current structure and management met with disappointment from some in the City where he was banking on Allied benefiting quickly from his skills demonstrated at Courtaulds and Reuters.

"He is asking us to take a lot on trust after eight years of underperformance," one analysts said.

"Management make a lot of the right noises about performance but the average person might not be convinced," added another.

Demerger was "the seductive option," Sir Christopher said.

The costs and complexity of the exercise were far outweighed by the "overwhelming case for running Allied as a group."

"For the forseeable future," the board had decided to keep Allied intact but he would not rule out the possibility of an eventual demerger. Courtaulds, the textiles and chemicals group, took five years to demerge under his chairmanship.

Management had also set themselves ambitious targets which met with some City scepticism. In the US, for example, it is planning on retail sales volume growth of about 10 per cent for its main brands this Thanksgiving and Christmas.

It argued that retail sales began rebounding this summer, it is in better control of its distribution, had increased its marketing and is unlikely to suffer sever winter weather for a second year.

Falling far short of the same target last year, Allied had to cut shipments to its US distributors by 25 per cent in the year ended August to lighten their inventories. Coupled with a similar action in Europe, destocking had knocked about £40m off profits in the year.

The company promised to improve its return on capital without disclosing its targets. Analysis of Allied's performance, however, shows the company has some way to go to exceed its pre-tax cost of capital of about 17 per cent.

In the year to August, trading profits from spirits and wines produced a return of about 11 per cent. Retailing – embracing pubs and the Baskin-Robbins ice cream and Dunkin' Donuts chains – generated a return of about 15 per cent. Allied said it expected only very modest price increases on spirits in many markets.

RESULTS

		Turnover (£m)		Pre-tax profit (£m)		EPS (p)		Dividends: Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
Allied Domecq	Yr to Aug 31 ⚹	5,370	(6,107)	264♠	(504♠)	4.1	(23.1)	14.15	Feb 21	11.8	23.59	39.35⚹
Amersham Intl	6 mths to Sept 30	183.1	(163.9)	28.4	(19.8)	27.5	(20.1)	6	Jan 2	4.9	-	18
Business Post	6 mths to Sept 30	38.4	(30.5)	7.7	(5.94)	10.2	(7.9)	3.6	Jan 3	3	-	8.7
Chamberlin & Hill	6 mths to Sept 30	13.3	(13.5)	0.828	(0.923)	7.58	(8.52)	2.8	Dec 18	2.5	-	7
DCC ♣	6 mths to Sept 30	269.8	(235.7)	15.7♥	(10.3♥)	14.6†	(9.15)	3.04	Jan 9	2.71	-	6.9
General Accident	9 mths to Sept 30	4,787□	(4,433□)	511	(436)	72	(64.2)	-	-	-	-	31
Independent Parts	6 mths to Sept 30	12.5	(9.06)	1.86	(1.54)	5.5†	(5.77)	2.2	Dec 13	2	-	6
Marshalls	6 mths to Sept 30	135.3	(135.7)	13.7♥	(16.4)	6.37	(7.73)	1.5	Apr 7	1.5	-	5.2
Midland & Scottish	6 mths to June 30★	2.81	(16.4)	9.39L♥	(0.171♥)	4.8L	(0.1L)	-	-	-	-	-
Sedgwick	9 mths to Sept 30	724.2	(692)	80.4	(76.5)	9.8	(10.2)	-	-	-	-	7.375
Sims Food	6 mths to Sept 30	75.6	(152.64)	0.710♠	(0.150♠)	1.7	(nil)	nil	-	1	nil	1
Vosper T'croft	6 mths to Sept 30	107.3	(114.5)	12.7	(11.4)	25.8	(23.9)	7.5	Jan 15	6.8	-	23.5
Wardle Storeys	Yr to Aug 31	110.4	(94.9)	10.5	(7.16)	27.2	(18.8)	13	Jan 6	12.25	19	17.25
Wilshaw	6 mths to Sept 30	27.7	(26.6)	2.41	(2.69)	1.64	(1.98)	0.3	Jan 31	0.3	-	0.85
WT Foods	6 mths to Sept 30★	12.1	(11.7)	0.701♠	(0.18♠)	0.95	(nil)	0.5	Jan 1	0.5	-	1.35

Investment Trusts		NAV (p)		Attributable Earnings (£m)		EPS (p)		Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
Broadgate	Yr to Sept 30	169.55	(135.37)	0.123	(0.116)	2.46	(2.31)	2	Dec 20	1.8	2	1.8
F&C Emerging	Yr to Sept 30	112.6	(105.1)	3.48L	(1.67L)	1.85L	(1.02L)	nil	-	nil	nil	nil
Govett Strategic	Yr to Sept 30	378.8	(324.7)	8.28	(7.53)	8.43	(7.67)	4.35	Jan 7	4.1	7.15	6.75
Mercury Keystone	Yr to Sept 30	844.13	(730.64)	5.01	(2.95)	35.27	(20.71)	13‡	Dec 19	12.5	19	17.5
Premium U'writing	Yr to Aug 31	102.24	(95.37)	0.083L	(0.013)	0.63L	(0.1)	-	-	-	-	-
Renaissance US	36 wks to Sept 30	94.78	(-)	0.161	(-)	0.77	(-)	-	-	-	-	-
Scottish Value	Yr to Sept 30	130.6	(115.62)	1.02	(1.77)	2.03	(3.52)	1	Jan 10	1	2	2

Earnings shown basic. Dividends shown net. Figures in brackets are for corresponding period. ⚹Comparatives pro forma. ♠After exceptional charge. ⚹For 18 months; included Foreign income dividend element. ♣Irish currency. ♥After exceptional credit. †On increased capital. □Premium income. ★Comparatives restated. ‡Special of 12p also declared.

Dominion meets East Mids for bid discussions

By Jane Martinson

Dominion Resources met East Midlands Electricity for the first time last night to discuss the US utility's possible £1.2bn-plus bid for the UK regional electricity company.

Shares in East Midlands rose 7½p to 611p, the highest since bid speculation surfaced last Wednesday.

East Midlands maintained yesterday it would reject an offer pitched close to 608p a share, which would value the group at £1.2bn. The Virginia-based utility said last week it was considering a bid "not much in excess of 608p".

The group is understood to be contemplating an offer of up to 650p, which could value its target at £1.29bn. Neither side would be drawn on further details last night. Dominion has said that it could still walk away from the deal or launch a hostile offer.

Analysts have valued the Nottingham-based East Midlands at between 650p-750p. A number believe the company will not recommend a deal below 700p.

Uncertainty in the sector over the bid and the regulatory and political issues it highlights appear to have depressed the share price since the Dominion announcement was made. Institutions said yesterday the shares had not moved higher because of fears the deal would not be approved by the regulator, combined with some profit taking. One institution said the evidence of profit taking in the past few days showed investors were taking "an each-way bet".

Yesterday's meeting at Schroders, which is advising East Midlands, started at 5pm. Dominion was represented by Mr Thomas Capps, chairman, president and chief executive, Mr Linwood Robertson, finance director, and Mr Thomas Farrell, a lawyer. The group met Mr Norman Askew, East Midlands' chief executive, and Mr Bob Davies, finance director. Sir Nigel Rudd, chairman, was in the US yesterday working for Pilkington, the steel group which he chairs.

Sedgwick rises by 5%

Interim pre-tax profits at Sedgwick, the international insurance broker, yesterday rose 5 per cent to £80.4m, helped by control of expenses, writes Michael Lindemann. Brokerage and fees increased 3 per cent to £690.7m while expenses rose by the same rate to £640.2m in the nine months to September 30. "For the first time in ages they have kept expenses in line with fees," one analyst said. Interest and investment fell from £37m to £33.5m because of declining interest rates.

Four building societies warn of float delays

By Christopher Brown-Humes

The four building societies planning to become banks next year last night joined forces to warn that their flotation plans – bringing windfall payments of up to £20bn to 18m people – could be delayed.

They blamed confusion over proposed building societies legislation and controversy over treatment of disabled members.

The Alliance & Leicester criticised the government over the uncertainty and said its frustrations were shared by the Halifax, Woolwich and Northern Rock societies.

Even though it is well down the track to a £2.8bn flotation next April, it said: "More than 2m Alliance & Leicester members are eagerly anticipating arrival of their free shares – due to reach them about the time the Tories will be fighting a general election. They are likely to be very disappointed if flotation was postponed, or worse still, abandoned."

The Alliance & Leicester, Woolwich and Northern Rock say they are mainly concerned by proposed legislation on building societies. Although a Building Societies bill was dropped from the government's programme last month, Ms Angela Knight, the treasury minister, still hopes to find a window in the government's legislative timetable for it. Last week's proposed revisions to the bill "have thrown a massive spanner in the works," said the Alliance & Leicester.

It criticised the government for causing "confusion" over the legislation.

The building societies say they do not know when the bill will be re-published, nor precisely what will be in it. They argue this makes it impossible for them to give accurate and detailed information to their members about their conversion plans.

Some observers believe Northern Rock, the smallest of the four and the last to market, might reconsider its flotation plans altogether if the bill is enacted.

Macfarlane issues profits warning

By James Buxton, Scottish Correspondent

Macfarlane Group, the Glasgow-based packaging group, yesterday warned that this year's pre-tax profit would be "modestly below" last year, owing to problems in its plastics moulding division which supplies the whisky industry.

The shares initially fell to 167p, before recovering marginally to 169p, down 28½p on news that Lord Macfarlane of Bearsden, chairman, had purchased 100,000 shares.

The reduced profits forecast was "mainly as a result of destocking in the spirits industry which affected the plastic moulding division," the company said.

Greig Middleton cut its forecast from £23m to £20m, and Sutherland, the Edinburgh-based broker, from £22m to £19.5m.

Clubhaus purchase completes first nine

By Patrick Harverson

Clubhaus is increasing the stable of golf courses it owns and operates from seven to nine with the £12.6m acquisition of Golf Fund, which owns The Warwickshire at Leek Wootton and Seedy Mill at Lichfield.

Clubhaus, which owns four UK courses and two in Germany and France, is paying about half what it cost Golf Fund to develop its courses and golf-related activities in the late 1980s. When Golf Fund was established in 1989 it raised £23.1m to invest in land and the development of the courses and its business.

However, over-expansion and the recession in the early 1990s destroyed the boom in golf course development. It is only in the past two years that new operators have begun to buy up courses relatively cheaply.

Mr Charlie Parker, Clubhaus finance director, said the two courses fitted neatly into the company's portfolio. Clubhaus said the two courses generated annual revenues of about £3.5m and were both cash-generative and profitable. Mr Parker was confident more revenues could be generated from the two courses relatively quickly, through improved marketing and increased usage. Other benefits are expected to flow from reduced operating costs and increased margins through greater purchasing power.

Managers culled at Varity

By Tim Burt

LucasVarity, the motor components and aerospace group, confirmed yesterday that a third of its senior management would be leaving following this year's £3.2bn ($5.21bn) merger of Lucas Industries and Varity Corporation of the US.

The company said the move would be covered by previously announced provisions for this year of £50m.

"The redundancies come after the completion of a detailed selection process in which senior managers were considered for the top 100 positions," the company said. Most of the job losses emerged following integration of the administrative functions from the two companies.

Mr Victor Rice, chief executive, said: "The selection process, which was leading edge in scope and objectivity, enabled us to pick a team of people ideally suited to the challenges ahead."

The senior managers took part in three-hour interviews, psychometric tests, and exercises to assess "numeracy and verbal reasoning".

Saudi orders help Vosper to 11% rise

By Tim Burt

Vosper Thornycroft Holdings, the warship builder, yesterday announced an 11 per cent rise in first half profits following increased payments on export contracts and improved contributions from non-shipbuilding activities.

The company said payments for three Saudi minehunters and growing profits from operations such as maritime training and electronic controls helped lift pre-tax profits from £11.4m to £12.7m in the six months to September 30.

Turnover, however, fell from £114.5m to £107.3m following the completion of a second fast-strike craft for Qatar and a new corvette for Oman.

The group, which has not won a large warship order for more than two years, said operating profits from its core shipbuilding activities rose from £5.69m to £7.63m.

That growth was augmented by increased profits of £2.37m (£1.89m) from the so-called developing businesses, including facilities management projects such as its five-year contract to run GCHQ, the government intelligence centre.

Mr Martin Jay, chief executive, said non-shipbuilding activities now accounted for more than a third of group sales and could soon represent 40 per cent.

Nevertheless, he emphasised that Vospers remained committed to warship building, where it had a forward order book worth £400m.

Mr Jay claimed the company was well placed to win further orders from the UK Ministry of Defence, the Middle East and south-east Asia. Some of those orders are expected to be placed in the next few months.

In the meantime, the group outlined plans to seek more facilities management work through the government's private finance initiative.

Prudential to target China with $1bn fund

By Sophie Roell in Beijing and Christopher Brown-Humes in London

Prudential, the UK life insurer, plans to set up a $1bn direct investment fund targeting Asian emerging markets.

Funds for the Prudential "InvestDirect Asia" Fund will be raised from Prudential's own businesses in the UK and Asia, Mr Peter Davis, chief executive, said yesterday. The fund will commence at the start of next year with initial capital of $150m.

China, India and Vietnam will head the list of investable countries, according to Mr Davis, while the fund will provide development capital for infrastructure projects and growing companies, "from bridges to breweries".

Prudential already has some $18bn invested in the Asia-Pacific region, mainly in listed stocks, bonds and property. However, Mr Davis said that after two years of market research, it had been decided to move into direct investment and providing development capital. "Prudential is now certain the time is right for such investments," he said.

Stock market capitalisation is only a small fraction of the total economy in many Asian countries, narrowing investment opportunities in listed securities.

Mr Davis also suggested that the new fund could help the company secure a licence to sell insurance in China. Although some 80 companies applied, only four foreign companies have been authorised or invited to sell insurance in China, and their activities have been confined to Guangzhou and Shanghai. Prudential is already the third largest life insurer in Hong Kong, Malaysia and Singapore in terms of premium size.

Eurocamp to rebuild margins

By David Blackwell

Eurocamp is not expecting a strong recovery in the number of UK campers going to France after last year's fall of 25 per cent.

However the UK holiday company, which has cut more than 50 campsites from its 1997 brochures, said in a trading statement yesterday it expects to rebuild profitability next year. The shares rose 3p to 189p yesterday.

"Our primary objective is to restore margins even if UK volumes do not recover," said Mr Richard Atkinson, chief executive. While the French franc had weakened over the past couple of months, customer perceptions of France as a holiday destination had not yet changed.

The group, which will operate next year from 200 sites, was in a strong cash position after pulling back on capital expenditure last year.

It said the 15 per cent increase in sales anticipated at the interim stage "has been maintained to the year-end". Analysts expect the group to report profits for the year to the end of October of about £9m, just below the previous year.

NEWS DIGEST

LLG NKr8.15m broker purchase

Lowndes Lambert Group, the insurance broker, has bought Norwegian broker Nor-Risk for NKr8.15m ($1.3m).

Directors said the acquisition would strengthen the non-marine, industrial and commercial activities of the group and expand its life and pensions sector.

The initial consideration is to be paid in three cash instalments with additional amounts in September 1997 and 1998 if there is any increase in brokerage income of the merged companies in two years after completion.

Inchcape deal is completed

Inchcape, the international distribution group, has completed the sale of Inchcape Testing Services to Charterhouse Development Capital for £380m ($620m).

Charterhouse part-financed the purchase through a $203m US bond issue. This is believed to have been the first time a UK venture capital deal has been financed using cash from the bond markets. The company will be known as Intertek Testing Services from spring 1997, retaining the existing management team.

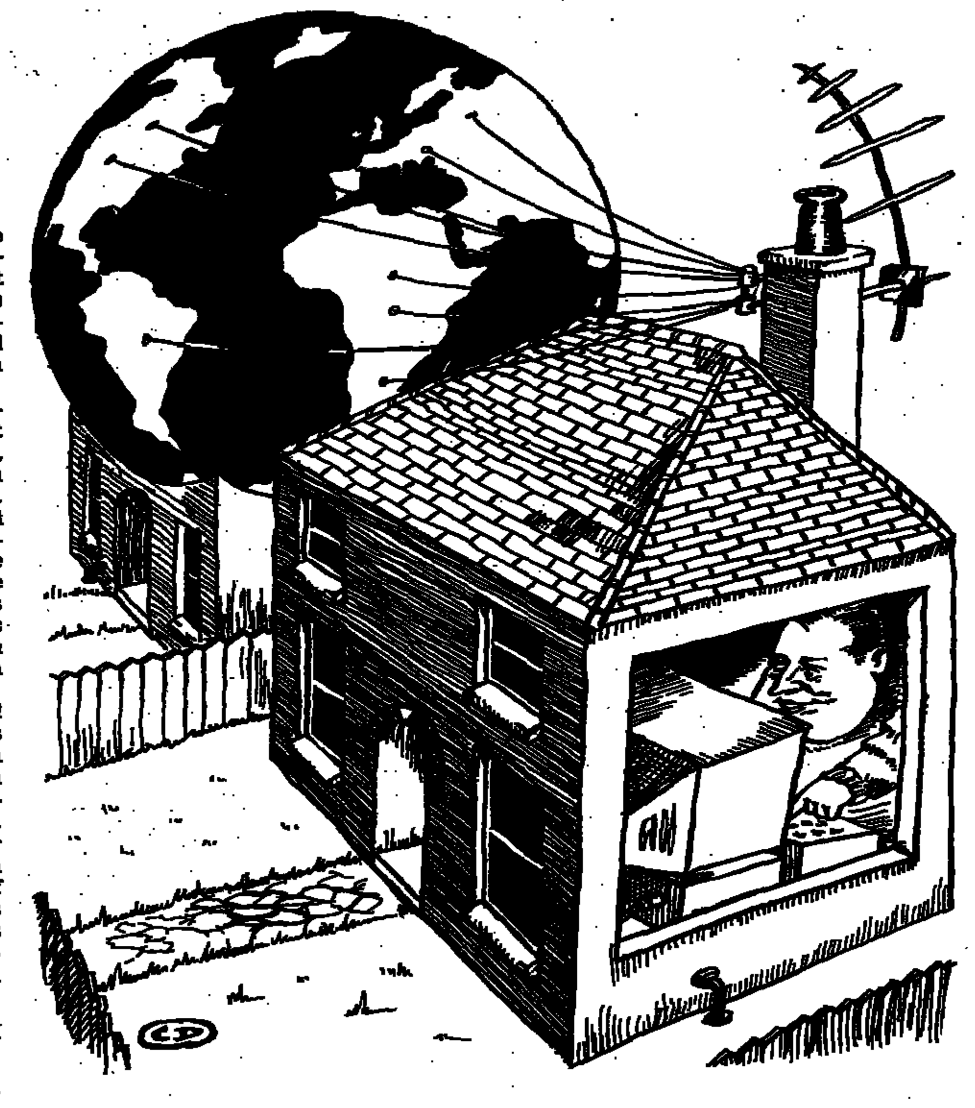
Airtours in US joint venture

Airtours, the UK's second largest tour operator, has entered a 50/50 joint venture with property developer Emerson Holdings to develop a timeshare resort in Orlando, Florida. Mr Harry Coe, deputy chief executive of Airtours, said yesterday that the first phase of the 54 acre development would cost about $35m (£22m), mainly financed through borrowings, with a modest amount of initial capital from the partners. "After the completion of the first phase, the project should be largely self-financing," he said. The project at Lake Eve will eventually consist of 19 apartment complexes, a clubhouse, restaurant and leisure and shopping facilities. By next summer, the first phase should be completed.

Internet telephony · George Cole

World on a local line

The cost of international phone calls could be about to fall



Imagine you could make an international telephone call for the cost of a local call. That is the promise of a new generation of phones which will use the Internet rather than the telephone network.

Supporters of Internet telephones, also known as Net phones and Web phones, believe they will transform global communications. "Internet telephony will revolutionise telecommunications. By 2000, using the Internet to make long-distance telephone calls will be commonplace," says Danny Wettreich, chairman of Meteor Technology, an Internet phone developer.

Internet users – estimated at 50m worldwide – access the network by making a local telephone call from their PC modem to an Internet service provider. Although an Internet user may be accessing data from a computer the other side of the world, he or she pays only local call rates. This is what lies behind the economics of Internet-based telephony.

The Internet could be used for many other telephony services, including faxing, paging, video-conferencing, collaborative computing, business-to-business applications, and electronic commerce. Today's Internet phones use a PC, special software, microphone, speakers and a plug-in computer card that converts speech to data, and vice versa. Companies marketing Internet phone software include Quarterdeck, Televox, Digi-Phone Europe, Netspeak and VocalTec. Prices range from free to $60 (£36).

To make an Internet telephone call, two people need to have phone software stored on their PCs and to arrange to make a call at a pre-set time. The caller clicks an on-screen icon and the recipient sees a message on the PC screen or hears a sound through the computer speakers.

Internet phones can offer advanced features such as call screening, but they do not have the same sound quality as a fixed-line phone. Speech is compressed and suffers from a time delay – the effect is of having a conversation over a satellite link. In many cases, only one person can talk at a time.

"People accept that mobile phones do not give the same quality as an ordinary phone," says Tony Duerinck, marketing development manager of Dialogic, a computer telephony company. "But they are prepared to trade off quality against convenience. The cost benefits offered by Internet phones will have the same effect. And Internet phone quality will improve."

The International Data Corporation estimates there were 500,000 Internet phone users at the end of 1995, with the market worth about $3.5m. The corporation says the number of users could reach 16m by the end of 1999, with a market value of $560m. Only five per cent of Internet phones were used by business in 1995, it says, but the company believes this figure could reach almost 63 per cent by the end of 1999.

Forecasts like this have prompted leading computer companies to join the Internet phone market.

Microsoft and Netscape have put Internet phone software into the latest versions of their Web browsers, used for exploring the Internet. International Business Machines is developing Internet telephony software for business and corporate users. Intel, the world's largest semiconductor manufacturer, has also developed an Internet phone.

Existing Internet phones use proprietary software which means users cannot mix and match systems, but more than 120 companies, including Microsoft and Intel, have now agreed on an Internet communications standard set by the International Telecommunications Union.

Until recently, traditional telephone companies have showed little concern over Internet telephony. But this has changed now that companies are beginning to offer equipment and services that enable ordinary telephones and fax machines to make calls via the Internet.

VocalTec and Dialogic have developed a computer server that acts as a link or gateway between ordinary telephones and the Internet. Telephone users call up their local gateway server and hear an automatic greeting asking them to key in the phone number.

The call is routed via the Internet to a second gateway server at the other end of the line. Users pay for the Internet connection charge and the local calls to and from the gateways.

VocalTec says multinational companies could buy gateway servers – prices start from $4,000 – to create a private international phone network.

IDT, the US callback and Internet company, has announced an Internet phone service that will allow overseas callers to phone anywhere in the US for just 10 cents per minute. NetXchange from Israel has developed FaXchange, an Internet faxing system which, it is claimed, saves companies up to 70 per cent on international fax charges.

Iowa-based Logiphone has announced an Internet fax service which, for a monthly flat rate of $35, will allow companies to send up to 40 fax pages per business day. Users do not need to have an Internet connection, but make calls on a device next to their fax machine. The UK company London Pager offers Page-mail, a system that allows users to receive Internet E-mail on a paging device. Energis and ITR Worldwide, the UK telecoms groups, are developing public payphones with Internet access.

"The traditional telephony business model is based on time and separation," says Ohad Finkelstein, VocalTec's vice-president of international sales. "The longer you talk and the greater the distance, the more you pay. Internet telephony is based on subscription."

Not everyone is happy with this brave new world. In March, the America's Carriers Telecommunications Association, representing more than 120 small and local US telephone companies, petitioned the US Federal Communications Commission to ban the sale of Internet phone hardware and software and put Internet phone services under the same regulatory conditions as ordinary phone companies.

Not all telecoms companies see Internet telephony as a threat: "We opposed the ACTA petition. We think the market should determine what happens," says Tom Evslin, vice-president of AT&T WorldNet, an Internet service operated by the US telecoms giant. Evslin adds that WorldNet may offer Internet telephony in the future. British Telecommunications says the company sees Internet telephony as a parallel market: "It will be mainly used for sending voice and data."

Scott Coleman, a general manager at Syntellect, a US interactive voice response company, agrees: "Internet telephony will open up the way for online shopping and banking, credit card verification and collaborative computing. People will be able to talk and work together on the same computer screen via the Net."

It sounds promising, but some fear that widespread use of Internet telephony could bring the whole network grinding to a halt. One solution could be for companies to use private high-speed Internet connections. The UK company On Demand Information has launched a service offering this facility.

Worldwide Internet telephony forecast

Active users (000)

	1995	1996	1997	1998	1999	1995-1999 CAGR* (%)
Consumer	475	1,500	2,500	4,000	6,000	89
Business	25	500	2,500	6,000	10,000	347
Total	500	2,000	5,000	10,000	16,000	138

* Compound Annual Growth Rate
Source: International Data Corporation 1996

Eagle Eye · Louise Kehoe

Time on your side

We may waste time waiting for assistance with complex computers but at least there is help for surfing the Net

I bought my first personal computer, an Apple II+, in 1980. It had no hard drive, only 16kB of memory and was designed to display 40 characters a line on a monochrome screen. I installed an 80-character circuit board, added two floppy disk drives and a 300bps (*bits per second*) *modem*, which made it a pretty snazzy setup for its time.

In those days there was no such thing as a help screen and no graphical interface. Software manuals were written by programmers and typically came in looseleaf binders. Sixteen years and half-a-dozen PCs later, I am looking at the multimedia Pentium model on my desk and wondering just how much progress the PC industry really has made.

There is no question that today's PCs are vastly more powerful. They are also easier to learn how to use. Most of us do not go to the trouble of reading software manuals. Yet there is a big difference between "ease of learning" and ease of everyday use.

The complexities of a PC are now well beyond the average user. In the good old days I would get out the screwdriver and the soldering iron when needed. If software was playing up, I called the supplier to talk to the guy who wrote the program.

These days, I call in a technician and cross my fingers. Chances are that he will tell me it is time to replace this "antiquated" two-year-old PC, rather than fix it. Software companies now have helplines, but they keep you waiting for ever, only to tell you the fault lies elsewhere. Worse, the latest free Internet software is not supported by technical helplines.

Multiply my frustrations by the few hundred or thousand PCs on a corporate network and you have the roots of the PC-versus-network-computer debate.

Think about how much time you have spent sorting out problems on your PC or perhaps helping colleagues.

The cost of your time is one of the largest elements of the often-quoted $8,000 (£4,878) to $12,000 a year costs of a PC on a corporate network. Network computer (NC) advocates maintain that these hidden costs will disappear when software and data are stored on a central server.

I am afraid, however, that companies adopting the NC model may not recognise that some of the hidden costs of a PC network will become the very real costs of supporting network computers.

In theory, I will no longer waste time fixing my PC problems. But somebody – probably a trained computer professional – will need to be hired to support my NC. If there are not enough of these "somebodies" to go around, you and I and thousands of NC users will end up waiting for help instead of trying to figure out the problems for ourselves.

Will that make us more productive? And when the corporate accountants tally up the costs of IT systems, will they find not savings? I am not so sure.

> Web lag is particularly common among those of us who cruise the Net in the economy class 14.4kbps and 28.8kbps seats

***

I call it "Web lag". It is the way you feel after hours of Net travel – searching for information, getting sidetracked, hitting dead ends and finally logging off with a string of bookmarks and only half of what you had hoped to find.

Fellow sufferers will recognise the symptoms – a slight headache and a sense that you are drowning in information. The malaise is particularly common among those of us who cruise the Web in the economy class 14.4kbps (thousand bits per second) and 28.8kbps seats.

Help may be on the way. Several software start-ups, as well as established companies, are racing to find a cure for Web lag, otherwise known as information overload.

Two approaches show promise. The first is a human editor who, with the help of software that matches your profile to Web content, provides a daily tip sheet on sites that may interest you. The second is an automated system that retrieves information on your behalf.

New in the first category is The Angle (*www.theangle.com*), from BroadVision. This invites you to choose an editor who best matches your tastes and to create a user profile detailing your priorities.

The site selections that editor "Carol" provided on my first visit did not prove particularly useful, but I'm willing to give her another try. I suspect this free service will improve over time.

BackWeb (*www.backweb.com*), in contrast, takes the tedium out of Net travel by automatically delivering personalised channels of information to your PC during idle connect time.

Rather than expecting users to search out and download information from the Web, BackWeb is one example of the push-site operators which will broadcast their content to subscribers' computers. Pity it can't tackle jetlag too.

***

Privacy: Part II. It is clear from responses to the last Eagle Eye that some readers believe the quasi-anonymity of the Internet should be protected. I remain convinced, however, that it is in the best interests of all Internet users for anonymity to become as rare in online communications as it is in the traditional media.

Last week I received an anonymous E-mail. The writer criticised an analyst quoted in the FT and cast doubt upon his qualifications. The message came via a "remailer" that guarantees not to divulge the identity of its users. Is this the kind of anonymity that privacy advocates want to protect? If so, count me out.

Unfortunately, the issues of anonymity and privacy are becoming confused. I think anonymity, as well as the use of pseudonyms, should be discouraged. The best way to do this is to ignore any message that does not identify the sender.

On the other hand, I am increasingly concerned that personal privacy may fall victim to commercial interests as Website operators track our visits and search services note our interests.

***

Next time in Eagle Eye: fast modems and digital phone lines, are they worth the trouble and expense? Please join me in the Eagle Eye discussion group at *www.FT.com* to share your views. Your comments on Web lag, Net privacy and other topics are also welcome.

Louise Kehoe:
lkehoe@ix.netcom.com

Master of the conference call

James Mackintosh on a system that keeps users connected

Just as you are about to close the deal, you have a worry about a clause in the contract. The company's lawyer is in the conference call, but to discuss the problem while the other side listens is out of the question, so you have to put them off and promise to ring back. Then one of them drives through a tunnel and their mobile is cut off, so the whole thing has to stop while the operator is called and told to bring them back into the call.

Familiar? Michael Kennedy, managing director of TPS, a small British company, thinks the Internet is offers a solution.

Everyone who has tried Net telephony will be sceptical of claims that it is reliable enough for business use, but TPS's new service gets around the unreliability by using ordinary telephone lines for all the calls.

The Internet adds to the conference call by providing the conference initiator – quaintly called the "conference meister" by Kennedy – with a graphical representation of the callers, showing whether they are connected. He connects calls by typing in their telephone numbers, and can reconnect any mobile that gets cut off, mute out some callers – while checking details with the lawyer, for instance – and add extra callers whenever needed.

Because call details are all entered via the Internet by the conference meister, there is no need to involve an operator in the call. And because the system uses callback technology via the least-cost route, the call should be cheaper than an ordinary conference call – despite being based in the US, it works out cheaper than a British Telecommunications conference call even if all the callers are in the UK.

If the Internet link is lost – something all experienced Net users will be worried about – the call continues until the initiator hangs up.

"Those of us who spend a lot of time on conference calls are constantly frustrated," Kennedy says, pointing to the problem of talking for 10 minutes without realising the person has left the conference.

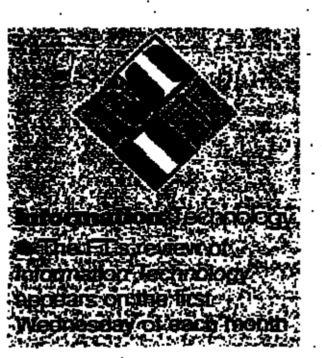
He promises an announcement of a deal with a UK telecoms company at the end of the month, following the launch this week of a service based in the US in partnership with ConnectCall.

However, international and interstate calls have caused the company problems over tax. Warren Gifford, TPS's vice-president for research, says: "We spent more on the tax lawyers than we spent on the development of the software."

In the end the New Jersey-based US subsidiary decided to charge New Jersey tax on the call if the conference meister is in the state, but nothing otherwise. "The caller is supposed to pay tax but that is up to them," Gifford adds.

The company's other use of the Net, an interface for its Personal Assistant answerphone service, allows the retrieval of faxes and voice messages.

The development of the services brought home to TPS the split between the innovative and fast moving world of the Internet and the slow pace of traditional telecoms companies. Gifford puts the tax and regulation problems the company has had down to "a clash between the Internet way of doing things where you just go ahead and do it, and the telecoms way" – where every development must await approval from regulators.



INTERNATIONAL CAPITAL MARKETS

Optimism on Emu lifts Italy and Spain

GOVERNMENT BONDS

By Conner Middelmann in London and Lisa Bransten in New York

Italy and Spain hit new highs yesterday on continued optimism that the countries would become founder members of European monetary union.

The issues were undeterred by the relatively quiet day for European government bonds in general.

Much attention was focused on the foreign-exchange markets, and on the US Federal Reserve's Open Market Committee meeting today.

"Italy has been seeing good demand, especially from domestic investors," said Mr Luca Jellinek, bond strategist at Paribas Capital Markets.

"Quite a few investors are becoming sceptical at these levels, but as long as fundamentals continue to converge and Emu optimism remains, this market will do well," he said.

The BTP future hit a new high of 126.55 and closed at 126.28, up 0.63 from Monday.

Spanish bonds rose on the back of gains in the Italian market, as well as on expectations of improving inflation data.

October consumer prices, due tomorrow, are expected to show an annual rate of 3.5 per cent, down from 3.6 per cent in September.

The 10-year December Bono contract traded on Meff rose by 0.52 to 109.45, but traders said cash dealings were thin and that most activity had taken place in the futures pits.

Both markets outperformed the rest of Europe, with their yield spreads over German government bonds falling to historic lows.

Spain's 10-year yield spread over Germany shrank to 159 basis points from 165 points on Monday, while Italy's fell to 189 basis points, from 196 points.

Italian bonds now command the same yield spread over bunds as UK gilts and on several occasions yesterday Italian spreads dipped below the UK's.

"Italy/UK has become a very actively traded spread these days," one observer said.

UK gilts posted small gains as dealers focused on today's release of labour market data and the minutes of the September meeting between Mr Kenneth Clarke, the chancellor, and Mr Eddie George, the governor of the Bank of England.

The long gilt future on Liffe rose by $\frac{5}{32}$ to $109\frac{18}{32}$. Gilts have been under pressure from worries that resurging inflation will trigger more interest rate increases, so today's data will be closely monitored for signs of rising cost pressures.

"The recent increase in the rate of decline in unemployment suggests quite an active employment market," said Mr Don Smith, international economist at HSBC Greenwell. "The market is particularly worried about average earnings growth, which has been creeping up in recent months."

Moreover, retail price data, due on Thursday, are expected to show a rise in the underlying rate to 3.1 per cent, from 2.9 per cent in September, well above the 2.5 per cent top of the Bank of England's target range.

In the current environment "we're recommending that investors move out along the curve", says Mr Smith. "The long end is supported by international markets, whereas the short end is being affected by all the gloom and doom about interest rates."

The core European markets of Germany and France made small headway in quiet trading. Helped by weaker than expected wholesale price data, the December 10-year bund future on Liffe rose 0.18 to 100.71. In France, the notional future on Matif also rose 0.18, to 127.40.

US Treasury prices continued to move higher yesterday, although there was little in the way of economic news to cheer investors.

The overwhelming consensus on Wall Street held that the Federal Reserve would leave interest rates unchanged at today's meeting of its open market committee, although there was some talk of a cut in rates.

Near midday, the benchmark 30-year Treasury was $\frac{19}{32}$ stronger at $100\frac{11}{32}$ to yield 6.469 per cent. At the short end the two-year note added $\frac{1}{8}$ to $100\frac{1}{8}$, yielding 5.703 per cent. The December 30-year bond future rose $\frac{15}{32}$ to $114\frac{1}{2}$.

Bonds got some support from the dollar as it rose against the yen and the D-Mark.

In early afternoon trading the US currency was changing hands at Y111.52 and DM1.5005 compared with Y111.00 and DM1.4943 late on Monday.

Also helping the market move higher were hopes that today's economic data would show that wholesale inflation remains in check.

Analysts expect the producer price index to have risen 0.2 percentage points in October.

Bank of Taiwan to lead facility for Pertamina

By Laura Tyson in Taipei and Conner Middelmann in London

Bank of Taiwan, the country's biggest state bank, has signed a protocol of intent to serve as the lead underwriter of a $1.127bn syndicated loan to Pertamina, Indonesia's state energy concern. The money will be used to finance a liquefied natural gas plant.

This is the first time Bank of Taiwan has led an international syndication of this magnitude. Mr Ho Kuo-hwa, the bank's president, said the deal was a sign of the country's increasing importance as a financing centre in the Asia-Pacific region.

Japan's Mitsubishi Corp will be the co-lead arranger. Other participating institutions include Chase Manhattan Corp, Bank of America, Japan Export-Import Bank (Jexim), Fuji Bank, Tokai Bank, Banque Indosuez and Long-Term Credit Bank.

At least seven Taiwanese banks will also join the syndication, which is scheduled to be completed by the end of February 1997.

The gas-plant project is an expansion of an existing plant in Botang, East Kalimantan. The plant – due to be completed in September 1999 – will have an annual capacity of 2.95m tonnes.

Pertamina signed 20-year LNG supply contracts with Taiwan's state oil company, Chinese Petroleum Corp, and Korea Gas Corp in 1995. Indonesia is the world's largest producer and exporter of liquefied natural gas.

The European syndicated loans market is busy, with several small to medium-sized deals as the year-end approaches.

In the UK, syndication of the London Forfaiting Company's $100m four-year revolving credit facility is under way, arranged and underwritten by Lloyds Bank Capital Markets and Rabobank. The facility pays 55 basis points over London inter-bank offered rate, with a commitment fee of 25 basis points and participation fees ranging from 10 and 35 basis points.

There has also been a rash of signings: a £125m five-year transaction for the National Express Group, increased from the originally sought £90m, was signed last week, as were a £75m facility for MEPC, the UK property investment company, and a £75m debut loan for Postbank and Savings Bank Corporation, launched at $50m but increased after attracting $112.5m in commitments.

In the D-Mark sector, a loan for E-Plus Mobilfunk, the German mobile-phone operator, was signed last week after being increased to DM530m from the initially sought DM360m. The facility is guaranteed by Vodafone.

Also in Germany, Plettac, a leading scaffolding manufacturer, has appointed Deutsche Bank and Hypobank to arrange a DM200m five-year facility, while a DM200m facility for Munksjö, a Swedish pulp and paper company, has closed following a positive response, and an increase to DM240m is under discussion.

Meanwhile, Ceska Sporitelna, the Czech savings bank, has mandated Bankgesellschaft Berlin and Confederacion España de Cajas de Ahorros to arrange a DM150m facility, paying a margin of 22.5 basis points over Libor.

Sterling sector tapped by two German issuers

INTERNATIONAL BONDS

By Samer Iskandar

Primary activity slowly regained momentum yesterday, after Monday's holiday in several main markets.

The sterling sector remained one of the most active, and saw two issues by German borrowers.

L-Bank, the state development agency of Baden-Württemberg, raised £200m through an issue with a five-year maturity, yielding 10 basis points more than the benchmark UK gilt due 2001.

"The deal offered relatively good value, with other spreads having become so tight," said an official at HSBC Markets, joint lead manager with BZW.

He compared the transaction to L-Bank's latest issue of sterling-denominated bonds, offered to investors just over a year ago with a spread of 16 basis points, which had recently tightened by about 10 basis points.

BZW said the borrower, rated triple-A by IBCA, the European ratings agency, in addition to Moody's and S&P, the two main US agencies, "was mostly attractive to institutional investors, although the issue did see widespread retail demand from Europe". Some overnight sales into Asia were also expected.

Bayerische Vereinsbank, another German borrower, also tapped the sterling market. Its issue of £100m of six-year bonds appeared relatively expensive at first sight, offering the same spread as the L-Bank bonds, in spite of its longer maturity and lower rating.

However, Hambros, the lead manager, pointed out that the spread level was artificially tight due to the fact that existing gilts maturing in 2002 were very cheap.

"When the next 2002 gilts are launched, they should yield 7 to 8 basis points less than the existing bonds, which will make the spread of the BV bonds that much more attractive," said an official. Yesterday afternoon, the spread had widened by 3 basis points from its launch level.

Because the BV bonds were aimed at retail investors, syndicate officials expect the coupon, which is slightly higher than that of the L-Bank deal, to help sales. Retail investors, unlike institutions, attach more importance to the absolute level of the coupon than they do to the relative pricing.

Eurofima, the European railway financing agency, also kept syndicate managers busy, with a DM550m issue of 10-year bonds.

Goldman Sachs, joint lead manager with DG Bank, said "the deal re-opens the international 10-year D-Mark sector", pointing out that all recent issues in that maturity range had been German domestic deals.

Goldman also said that two factors had helped boost demand: "the fact that 10-year D-Mark bonds are now yielding more than those in French francs, and the expected lack of supply of German bunds before the year-end".

New international bond issues

Borrower	Amount m.	Coupon %	Price	Maturity	Fees %	Spread bp	Book-runner
US DOLLARS							
Woolwich Bldg Society(a)‡	300	(a1)	99.923R	Dec 2001	0.175R		ABN Amro/Lehman Bros
Cemig(b)	150	9.125#	99.582R	Nov 2004	0.75R	+300(9¼%-01)	ING Barings
Venezolanos Financial Invs	75	8.825#	100.00R	Nov 1998	0.875R	+288(5¾%-98)	Chase Manhattan Intl
D-MARKS							
Eurofima	550	6.00	99.39R	Dec 2006	0.325R	+21(6%Apr06)	DG Bank/Goldman Sachs
STERLING							
Baden-Württemberg L-Fin§	200	7.375	99.605R	Dec 2001	0.25R	+10(7%-01)	BZW/HSBC Markets
Bayerische Vereinsbank§	100	7.50	99.52R	Dec 2002	0.275R	+10(9¾%-02)	Hambros Bank
GUILDERS							
Oce van der Grinten	250	6.375	99.575R	Nov 2006	0.425R	+55§	ABN Amro Hoare Govett
FRENCH FRANCS							
Telstra Corp	1.5bn	6.00	99.06R	Dec 2006	0.375R	+26§	BNP/JP Morgan
ITALIAN LIRE							
BGB Finance Ireland(c)	100bn	zero	89.285	Nov 1998	1.125	-	Cariplo/IMI Luxembourg

Final terms, non-callable unless stated. Yield spread (over relevant government bond) at launch supplied by lead manager. ‡ Floating-rate note. #Semi-annual coupon. R: fixed re-offer price; fees shown at re-offer level. a) Callable from Dec 99 at par. a1) 3-mth Libor +6¼bp. b) Callable and puttable on 18/11/01 at 99.704%. c) L250bn launched 31/10/96 was increased to L350bn. § Over interpolated yield. § Long 1st coupon.

WORLD BOND PRICES

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Day's change	Yield	Week ago	Month ago
Australia		6.750	11/06	96.9380	+0.280	7.18	7.36	7.67
Austria		5.875	07/06	99.3500	+0.100	5.96	6.09	5.98
Belgium		7.000	05/06	106.8200	+0.300	6.04	6.15	6.15
Canada *		7.000	12/06	106.2800	+0.230	6.16	6.34	7.00
Denmark		8.000	03/06	107.9800	+0.220	6.82	6.93	6.84
France	BTAN	5.500	10/01	102.7851	+0.140	4.87	4.98	5.11
	OAT	6.500	10/06	104.6600	+0.270	5.87	5.99	6.05
Germany Bund		6.250	04/06	102.7200	+0.430	5.88	6.03	6.02
Ireland		8.000	08/06	107.9200	+0.400	6.86	7.05	6.85
Italy		9.500	02/06	111.3900	+0.330	7.76†	8.10	8.18
Japan	No 140	6.600	06/01	121.7175	+0.240	1.63	1.50	1.78
	No 182	3.000	09/05	102.0690	-	2.71	2.52	2.83
Netherlands		8.500	06/06	118.2700	-0.600	5.95	5.94	5.91
Portugal		9.500	02/06	114.3900	+0.390	7.31	7.56	7.68
Spain		8.800	04/06	108.6300	+0.730	7.44	7.81	7.76
Sweden		6.000	02/05	91.9645	-	7.31	7.32	7.21
UK Gilts		8.000	12/00	102-29	+8/32	7.16	7.22	6.79
		7.500	12/06	99-09	+16/32	7.60	7.73	7.47
		9.000	10/08	109-31	+18/32	7.71	7.84	7.61
US Treasury *		6.500	10/06	102-03	+13/32	6.22	6.35	6.58
		6.500	11/26	100-11	+19/32	6.47	6.57	6.85
ECU (French Govt)		7.000	04/06	104.9000	+0.120	6.29	6.40	6.35

London closing, *New York mid-day. Yields: Local market standard.
† Gross (including withholding tax at 12.5 per cent payable by nonresidents)
Prices: US, UK in 32nds, others in decimal. Source: MMS International

US INTEREST RATES

Latest		Treasury Bills and Bond Yields			
		One month	-	Two year	5.72
Prime rate	$8\frac{1}{4}$	Two month	-	Three year	5.86
Broker loan rate	7	Three month	5.15	Five year	6.01
Fed.funds	$5\frac{3}{8}$	Six month	5.27	10-year	6.23
Fed.funds at intervention	-	One year	5.44	30-year	6.49

BOND FUTURES AND OPTIONS

France

■ NOTIONAL FRENCH BOND FUTURES (MATIF) FFr500,000

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Dec	127.30	127.40	+0.18	127.62	127.26	65,819	180,790
Mar	127.26	127.36	+0.18	127.50	127.28	4,021	41,695
Jun	126.06	126.12	+0.16	126.14	126.06	42	7,028

■ LONG TERM FRENCH BOND OPTIONS (MATIF)

Strike Price	CALLS Nov	CALLS Dec	CALLS Mar	PUTS Nov	PUTS Dec	PUTS Mar
124	3.38	-	-	-	-	0.29
125	2.39	-	-	0.03	0.14	0.47
126	1.46	-	1.96	0.08	-	-
127	0.67	0.97	1.40	0.29	0.61	-
128	0.20	0.49	0.93	0.82	-	-

Est. vol. total, Calls 19,185 Puts 7,719. Previous day's open int., Calls 170,046 Puts 164,356.

Germany

■ NOTIONAL GERMAN BUND FUTURES (LIFFE)* DM250,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	100.62	100.71	+0.18	100.74	100.57	119300	261253
Mar	99.60	99.72	+0.19	99.72	99.60	2596	21514

■ BUND FUTURES OPTIONS (LIFFE) DM250,000 points of 100%

Strike Price	CALLS Dec	CALLS Jan	CALLS Feb	CALLS Mar	PUTS Dec	PUTS Jan	PUTS Feb	PUTS Mar
10050	0.44	0.32	0.54	0.70	0.23	1.10	1.32	1.48
10100	0.20	0.19	0.38	0.53	0.49	1.47	1.66	1.81
10150	0.07	0.11	0.26	0.38	0.86	1.89	2.04	2.16

Est. vol. total, Calls 16112 Puts 10965. Previous day's open int., Calls 204085 Puts 211516

Italy

■ NOTIONAL ITALIAN GOVT. BOND (BTP) FUTURES (LIFFE)* Lira 200m 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	125.55	126.28	+0.63	126.55	125.48	61471	93446
Mar	125.00	125.48	+0.63	125.60	125.00	467	5077

■ ITALIAN GOVT. BOND (BTP) FUTURES OPTIONS (LIFFE) Lira200m 100ths of 100%

Strike Price	CALLS Dec	CALLS Mar	PUTS Dec	PUTS Mar
12600	0.91	1.84	0.63	2.36
12650	0.64	1.62	0.86	2.64
12700	0.44	1.41	1.16	2.93

Est. vol. total, Calls 28221 Puts 7366. Previous day's open int., Calls 193537 Puts 184944

Spain

■ NOTIONAL SPANISH BOND FUTURES (MEFF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Dec	108.98	109.45	+0.54	109.55	108.90	76,509	62,985
Mar	108.46	108.86	+0.30	108.90	108.46	641	1,044

UK

■ NOTIONAL UK GILT FUTURES (LIFFE)* £50,000 32nds of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	109-14	109-18	+0-05	109-24	109-10	52196	140395
Mar	108-24	108-26	+0-06	108-24	108-18	243	2409

■ LONG GILT FUTURES OPTIONS (LIFFE) £50,000 64ths of 100%

Strike Price	CALLS Dec	CALLS Jan	CALLS Feb	CALLS Mar	PUTS Dec	PUTS Jan	PUTS Feb	PUTS Mar
109	0-56	0-62	1-21	1-39	0-22	1-10	1-33	1-51
110	0-24	0-38	0-59	1-09	0-52	1-50	2-07	2-21
111	0-07	0-21	0-39	0-51	1-35	2-33	2-51	2-63

Est. vol. total, Calls 4294 Puts 2168. Previous day's open int., Calls 55531 Puts 32415

Ecu

■ ECU BOND FUTURES (MATIF) ECU100,000

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Dec	94.58	94.58	+0.10	94.66	94.58	1,278	7,028
Mar	-	94.14	+0.10	-	-	-	25

US

■ US TREASURY BOND FUTURES (CBT) $100,000 32nds of 100%

	Open	Latest	Change	High	Low	Est. vol.	Open int.
Dec	114-01	114-17	+0-15	114-19	113-27	344,661	406,931
Mar	113-20	114-04	+0-16	114-05	113-15	12,557	38,745
Jun	113-13	113-16	+0-12	113-19	113-12	598	10,425

Japan

■ NOTIONAL LONG TERM JAPANESE GOVT. BOND FUTURES (LIFFE) Y100m 100ths of 100%

	Open	Close	Change	High	Low	Est. vol	Open int.
Dec	123.73			124.10	123.73	4462	na
Mar	122.89			123.21	122.88	1500	na

* LIFFE futures also traded on APT. All Open interest figs. are for previous day.

FTSE Actuaries Govt. Securities — UK Indices

Price Indices UK Gilts	Tue Nov 12	Day's change %	Mon Nov 11	Accrued interest	xd adj. ytd		Low coupon yield Nov 12	Nov 11	Yr. ago	Medium coupon yield Nov 12	Nov 11	Yr. ago	High coupon yield Nov 12	Nov 11	Yr ago
1 Up to 5 years (21)	120.83	0.08	120.73	2.14	8.68	5 yrs	7.23	7.26	7.30	7.30	7.32	7.31	7.34	7.38	7.40
2 5-15 years (18)	149.50	0.20	149.41	3.41	9.28	15 yrs	7.81	7.84	7.98	7.80	7.83	8.01	7.82	7.84	8.08
3 Over 15 years (8)	167.45	0.27	167.00	4.22	9.83	20 yrs	7.90	7.91	8.02	7.87	7.89	8.05	7.89	7.91	8.11
4 Irredeemables (6)	192.97	0.33	192.34	5.18	8.83	Irred.†	7.96	7.98	8.10						
5 All stocks (53)	143.82	0.17	143.66	3.08	9.29										

Index-linked							Inflation 5% Nov 12	Nov 11	Yr. ago	Inflation 10% Nov 12	Nov 11	Yr. ago
6 Up to 5 years (2)	202.62	0.12	202.38	0.67	5.28	Up to 5 yrs	3.22	3.25	3.11	2.60	2.62	2.04
7 Over 5 years (10)	193.72	0.24	193.26	1.07	4.71	Over 5 yrs	3.80	3.81	3.64	3.41	3.42	3.45
8 All stocks (12)	193.61	0.22	193.18	1.02	4.89							

Average gross redemption yields are shown above. Coupon Bands: Low: 0%-7¾%; Medium: 8%-10¾%; High: 11% and over. † Flat yield. ytd Year to date

FT Fixed Interest Indices

	Nov 12	Nov 11	Nov 8	Nov 7	Nov 6	Yr ago	High*	Low*
Govt. Secs. (UK)	93.84	93.73	93.74	93.36	93.22	94.35	96.34	91.59
Fixed Interest	115.42	115.38	115.57	115.20	115.38	112.76	116.45	110.74

Gilt Edged Activity Indices

	Nov 11	Nov 8	Nov 7	Nov 6	Nov 5
Gilt Edged bargains	92.5	104.0	121.3	133.1	132.9
5-day average	116.8	124.1	123.4	118.9	109.5

 * for 1996. Government Securities high since compilation: 127.4 (09/01/35), low 49.18 (03/01/75). Fixed Interest high since compilation: 133.87 (21/01/94), low 50.53 (03/01/75). Basis 100: Government Securities 15/10/26 and Fixed Interest 1928. SE activity indices rebased 1974.

FT/ISMA INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 7:00 pm on November 12

	Issued	Bid	Offer	Chg	Yield
U.S. DOLLAR STRAIGHTS					
Abbey Natl Treasury $6\frac{1}{2}$ 03	1000	$100\frac{5}{8}$	$100\frac{7}{8}$	$+\frac{1}{4}$	6.37
ABN Amro Bank $7\frac{1}{4}$ 05	1000	$103\frac{1}{4}$	$103\frac{1}{2}$	$+\frac{1}{8}$	6.86
African Dev Bk $7\frac{3}{8}$ 23	500	102	$102\frac{3}{8}$	$+\frac{1}{8}$	7.20
Alberta Province $7\frac{5}{8}$ 98	1000	$103\frac{1}{8}$	$103\frac{1}{4}$	$+\frac{1}{8}$	5.90
Asian Dev Bank $8\frac{1}{4}$ 05	750	$98\frac{3}{4}$	99	$+\frac{1}{4}$	8.54
Austria $8\frac{1}{2}$ 00	400	$106\frac{3}{4}$	$105\frac{7}{8}$	$+\frac{1}{4}$	6.10
Baden-Wuertt L-Fin $8\frac{1}{8}$ 00	1000	$105\frac{1}{2}$	$105\frac{3}{4}$	$+\frac{1}{8}$	6.17
Bancomext $7\frac{1}{4}$ 04	1000	$86\frac{1}{4}$	$86\frac{5}{8}$	$+\frac{1}{8}$	10.21
[illegible]					
Spain $7\frac{1}{4}$ 03	4000	$108\frac{7}{8}$	109	$+\frac{1}{8}$	5.54
Volkswagen Intl Fin 7 03	1000	$108\frac{1}{4}$	$108\frac{5}{8}$	$-\frac{1}{8}$	5.81
World Bank $5\frac{7}{8}$ 03	3000	$102\frac{3}{4}$	$102\frac{5}{8}$		5.46
World Bank $6\frac{1}{8}$ 02	3000	$104\frac{5}{8}$	$104\frac{3}{4}$	$+\frac{1}{8}$	5.19
World Bank $7\frac{1}{8}$ 05	3000	108	$108\frac{1}{8}$	$+\frac{1}{8}$	5.88
SWISS FRANC STRAIGHTS					
Asian Dev Bank 0 16	500	39	$39\frac{1}{2}$	$+\frac{1}{8}$	5.02
Austria $4\frac{1}{2}$ 00	1000	$105\frac{3}{4}$	106	$+\frac{1}{8}$	2.83
[illegible]					
Abbey Natl Treasury 8 03 £	1000	101	$101\frac{1}{4}$	$+\frac{1}{8}$	7.78
British Land $8\frac{7}{8}$ 23 £	150	$94\frac{3}{4}$	95	$+\frac{1}{4}$	9.63
Denmark $6\frac{3}{4}$ 98 £	800	$99\frac{1}{2}$	$99\frac{5}{8}$		7.03
Depfa Finance $7\frac{1}{8}$ 03 £	500	$98\frac{1}{2}$	$98\frac{3}{4}$	$+\frac{1}{8}$	7.79
EIB 8 03 £	1000	$102\frac{1}{8}$	$102\frac{3}{8}$	$+\frac{1}{8}$	7.58
Glaxo Wellcome $8\frac{3}{4}$ 05 £	500	$103\frac{7}{8}$	$104\frac{1}{8}$	$+\frac{1}{8}$	8.13
Hanson Trust 10 06 £	550	$109\frac{7}{8}$	$110\frac{1}{8}$	$+\frac{1}{8}$	8.43
HSBC Holdings 11.69 02 £	153	$115\frac{7}{8}$	$116\frac{1}{8}$	$+\frac{1}{8}$	8.09
Italy $10\frac{1}{2}$ 14 £	400	$118\frac{3}{4}$	$119\frac{1}{8}$	$+\frac{1}{8}$	8.40
[illegible]					

[illegible]

UK GILTS PRICES

Notes	Yield Int	Yield Red	Price £	+ or -	52 week High	52 week Low
Shorts" (Lives up to Five Years)						
Treas $13\frac{1}{4}$pc 1997‡‡	13.08	6.12	[illegible]	—	[illegible]	[illegible]
Exch $10\frac{1}{2}$pc 1997	10.30	6.14	[illegible]	—	[illegible]	[illegible]
Treas Cnv 7pc 1997‡‡	6.98	6.36	[illegible]	—	[illegible]	[illegible]
Treas $8\frac{3}{4}$pc 1997‡‡	8.80	6.41	[illegible]	—	[illegible]	[illegible]
Exch 15pc 1997	13.92	6.48	[illegible]	—	[illegible]	[illegible]
[illegible]						

[illegible]

Dollar gains thanks to Bundesbank comments

MARKETS REPORT

By Simon Kuper

The dollar rose in London trading yesterday after two leading Bundesbank figures said the D-Mark had appreciated too far against the US currency.

However, the main excitement came after the London close, when Mr Hans Tietmeyer, the Bundesbank president, backed his colleagues' comments. He said: "The dollar is back on its way upward. I always welcome it when the dollar finds its correct value." Within minutes the US currency had shot up almost a pfennig against the D-Mark, while sterling gained about 1.2 pfennigs in the dollar's wake.

Trading had been quiet until then. In London the dollar closed just 0.1 pfennig higher against the D-Mark at DM1.499, and Y0.1 stronger against the yen at Y111.3. The pound ended the day in London 0.2 pfennigs up against the D-Mark at DM2.469.

■ The Bundesbank appears to want a weaker D-Mark. Mr Tietmeyer, Mr Edgar Meister, the Bundesbank director, and Mr Hans-Juergen Krupp, one of the bank's council members, yesterday made comments apparently designed to achieve this.

On Monday the D-Mark had strengthened to below DM1.50 against the dollar for the first time in two months.

Yesterday Mr Krupp was quoted as saying that a stronger dollar might seem more appropriate, while Mr Meister said a D-Mark rate below DM1.50 to the dollar was "not appropriate". The market took these comments with some salt, since both men are thought to be dovish on the D-Mark, and neither is considered a Bundesbank heavyweight.

But their intent was plain. 4CAST, the economic consultancy, said: "The verbal offensive to push dollar/D-Mark back through DM1.5000 is clear."

Mr Gerard Lyons, chief economist at DKB International in London, added: "This reflects the Bundesbank's feeling that the German economy is not as strong as the market has been thinking." German economic data over the past week has been weaker than expected. Mr Lyons said that at D-Mark levels of DM1.50 to the dollar or below, the Bundesbank "would put a lot of emphasis on the exchange rate."

After the London close, Mr Tietmeyer gave a speech to bankers about European monetary union in which he did not mention the dollar. But in answer to reporters' questions, he backed Mr Krupp's and Mr Meister's comments, and the D-Mark fell sharply.

Currency strategists said Bundesbank attempts to talk down the D-Mark could soon cease to have an effect, unless the bank intervened in the foreign exchange markets or if it cut German interest rates. It is not expected to do either.

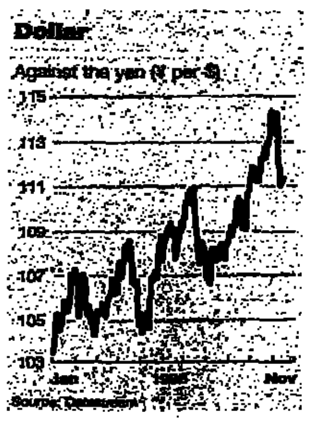
■ Last week Tokyo seemed to signal to the markets that the yen should rise against the dollar. After 18 months in which central banks boosted the dollar, Mr Eisuke Sakakibara, who heads the Japanese finance ministry's international finance bureau, was quoted as saying that the Japanese government would not lead the yen much lower against the US currency.

Now the markets are waiting for further signs of whether Tokyo and Washington have indeed changed their policy – and if so, how marked the change is.

One leading currency analyst said yesterday: "It's a small policy change." None of the G3 countries wanted the yen to fall further, he said, but neither did any want it to rise sharply.

Washington has stayed silent so far. But Mr Klaus Baader, senior currency economist at Deutsche Morgan Grenfell in London, said the US Administration had signalled a policy shift in its report of yesterday's telephone conversation between Mr Robert Rubin, the US treasury secretary, and Mr Hiroshi Mitsuzuka, the Japanese finance minister. It was a case of the dog that did not bark: the US treasury department said the men did not discuss foreign exchange.

Mr Baader said that Mr Rubin's "telling silence" showed that the treasury secretary – hitherto a supporter of the strong dollar – now backed Mr Sakakibara's comments favouring a stronger yen.



■ Pound in New York

Nov 12	—Latest—	— Prev. close —
£ spot	1.6460	1.6495
1 mth	1.6449	1.6484
3 mth	1.6426	1.6460
1 yr	1.6289	1.6323

■ OTHER CURRENCIES

Nov 12	£	$
Czech Rp	44.1363 - 44.1960	26.8110 - 26.8310
Hungary	255.474 - 255.711	155.190 - 155.240
Iran	4941.60 - 4938.60	3000.00 - 3000.00
Kuwait	0.4917 - 0.4923	0.2987 - 0.2989
Poland	4.6026 - 4.6105	2.7960 - 2.7990
Russia	9019.53 - 9029.95	5479.00 - 5482.00
U.A.E.	6.0483 - 6.0503	3.6729 - 3.6731

● For the latest market update, ring FT Cityline on +44 990 209909

To subscribe, call +44 171 873 4378

POUND SPOT FORWARD AGAINST THE POUND

Nov 12		Closing mid-point	Change on day	Bid/offer spread	Day's Mid high	Day's Mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	Bank of Eng. Index
Europe													
Austria	(Sch)	17.3701	+0.0062	608 - 793	17.4091	17.3274	17.3266	3.0	17.2701	2.3	-	-	104.9
Belgium	(BFr)	50.8666	+0.0073	182 - 150	50.9440	50.6710	50.7416	2.9	50.4766	3.1	49.2816	3.1	106.1
Denmark	(DKr)	9.4883	-0.0057	838 - 928	9.5257	9.4666	9.4684	2.5	9.4278	2.6	9.2489	2.5	107.5
Finland	(FM)	7.4486	-0.0002	402 - 570	7.5100	7.4290	-	-	-	-	-	-	84.6
France	(FFr)	8.3516	+0.0014	482 - 549	8.3681	8.3335	8.3326	2.7	8.2937	2.8	8.1152	2.8	109.0
Germany	(DM)	2.4686	+0.0009	672 - 700	2.4742	2.4584	2.4625	3.0	2.4497	3.1	2.3933	3.1	108.3
Greece	(Dr)	390.737	+0.255	528 - 946	392.654	388.180	-	-	-	-	-	-	67.3
Ireland	(I£)	0.9968	+0.0006	959 - 977	0.9981	0.9954	0.9965	0.4	0.9955	0.5	0.9889	0.8	100.6
Italy	(L)	2489.64	+0.1	789 - 139	2500.84	2484.22	2493.44	-1.8	2500.94	-1.8	2505.44	-0.6	76.7
Luxembourg	(LFr)	50.8666	+0.0073	182 - 150	50.9440	50.6710	50.7416	2.9	50.4766	3.1	49.2816	3.1	106.1
Netherlands	(Fl)	2.7685	+0.0003	671 - 699	2.7763	2.7578	2.7613	3.1	2.7463	3.2	2.6816	3.1	106.3
Norway	(NKr)	10.3773	+0.0009	725 - 821	10.4567	10.3412	10.3648	1.4	10.3448	1.3	10.2398	1.3	100.1
Portugal	(Es)	250.093	+0.028	976 - 210	250.534	249.228	250.288	-0.9	250.658	-0.9	-	-	95.8
Spain	(Pta)	208.052	+0.196	948 - 157	208.546	207.508	208.217	-1.0	208.447	-0.8	208.447	-0.2	80.2
Sweden	(SKr)	10.8937	+0.0347	842 - 031	10.9162	10.8309	10.8925	0.1	10.8899	0.1	10.8775	0.1	88.9
Switzerland	(SFr)	2.0756	+0.0003	742 - 770	2.0797	2.0700	2.068	4.4	2.053	4.4	1.9863	4.3	108.3
UK	(£)	-	-	-	-	-	-	-	-	-	-	-	90.6
Ecu	-	1.2910	+0.0015	902 - 917	1.2938	1.2881	1.2891	1.8	1.2846	2.0	1.2631	2.2	-
SDR†	-	1.131411	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	1.6465	+0.0005	459 - 470	1.6549	1.6459	-	-	-	-	-	-	-
Brazil	(R$)	1.6889	+0.0038	981 - 996	1.7039	1.6978	-	-	-	-	-	-	-
Canada	(C$)	2.1980	+0.0021	969 - 990	2.2061	2.1959	2.1928	2.8	2.182	2.9	2.123	3.4	86.2
Mexico	(New Peso)	13.0345	+0.0341	264 - 425	13.0678	13.0083	-	-	-	-	-	-	-
USA	($)	1.6467	+0.0004	462 - 472	1.6552	1.6460	1.6456	0.8	1.6433	0.8	1.6289	1.1	96.1
Pacific/Middle East/Africa													
Australia	(A$)	2.0909	-0.0005	896 - 922	2.0999	2.0896	2.0922	-0.7	2.0929	-0.4	2.0925	-0.1	82.5
Hong Kong	(HK$)	12.7315	+0.0018	251 - 378	12.7882	12.7251	12.7242	0.7	12.7104	0.7	12.6457	0.7	-
India	(Rs)	58.7873	-0.0695	401 - 345	59.1345	58.4401	-	-	-	-	-	-	-
Israel	(Shk)	5.3303	-0.0036	232 - 373	5.3545	5.3232	-	-	-	-	-	-	-
Japan	(Y)	183.335	+0.206	222 - 448	184.380	182.940	182.445	5.8	180.585	6.0	172.555	5.9	130.0
Malaysia	(M$)	4.1531	+0.0077	512 - 549	4.1731	4.1512	-	-	-	-	-	-	-
New Zealand	(NZ$)	2.3225	+0.0014	206 - 243	2.3426	2.3206	2.3292	-3.5	2.3386	-2.8	2.3594	-1.6	111.3
Philippines	(Peso)	43.2671	+0.0118	798 - 543	43.3543	43.1798	-	-	-	-	-	-	-
Saudi Arabia	(SR)	6.1760	+0.0017	737 - 782	6.2077	6.1735	-	-	-	-	-	-	-
Singapore	(S$)	2.3060	+0.0037	047 - 072	2.3174	2.3047	-	-	-	-	-	-	-
South Africa	(R)	7.6992	-0.0308	927 - 056	7.7851	7.6927	-	-	-	-	-	-	-
South Korea	(Won)	1361.74	-1.68	124 - 223	1371.00	1361.24	-	-	-	-	-	-	-
Taiwan	(T$)	45.2643	+0.019	376 - 309	45.5097	45.2376	-	-	-	-	-	-	-
Thailand	(Bt)	41.8606	+0.009	382 - 834	42.0800	41.8382	-	-	-	-	-	-	-

† Rates for Nov 11. Bid/offer spreads in the Pound Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. Sterling index calculated by the Bank of England. Base average 1990 = 100. Index rebased 1/2/95. Bid, Offer and Mid-rates in both this and the Dollar Spot tables derived from THE WM/REUTERS CLOSING SPOT RATES. Some values are rounded by the F.T.

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Nov 12		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	Day's mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	J.P Morgan index
Europe													
Austria	(Sch)	10.5484	+0.0008	460 - 508	10.5680	10.4875	10.5267	2.2	10.4884	2.3	10.2934	2.4	104.9
Belgium	(BFr)	30.8900	-0.004	700 - 100	30.9100	30.6820	30.83	2.3	30.7025	2.4	30.1625	2.4	105.9
Denmark	(DKr)	5.7620	-0.005	610 - 630	5.7642	5.7304	5.7531	1.9	5.7347	1.9	5.653	1.9	106.8
Finland	(FM)	4.5234	-0.0013	196 - 271	4.5481	4.4956	4.5146	2.3	4.4958	2.4	4.4134	2.4	83.9
France	(FFr)	5.0717	-0.0006	712 - 722	5.0771	5.0445	5.0633	2.0	5.0454	2.1	4.9697	2.0	108.6
Germany	(DM)	1.4991	+0.0001	987 - 995	1.5007	1.4890	1.4962	2.3	1.4903	2.4	1.4655	2.2	107.8
Greece	(Dr)	237.285	+0.09	230 - 340	237.900	234.990	238.84	-7.9	241.41	-7.0	252.435	-6.4	67.1
Ireland	(I£)	1.6520	-0.0006	510 - 530	1.6610	1.6505	1.6515	0.3	1.6512	0.2	1.6483	0.2	-
Italy	(L)	1511.90	-0.35	129 - 250	1515.00	1503.49	1515.07	-2.5	1521.5	-2.5	1534.55	-1.5	76.2
Luxembourg	(LFr)	30.8900	-0.004	700 - 100	30.9100	30.6820	30.83	2.3	30.7025	2.4	30.1625	2.4	105.9
Netherlands	(Fl)	1.6813	-0.0002	809 - 816	1.6825	1.6699	1.6775	2.7	1.6695	2.8	1.634	2.8	105.9
Norway	(NKr)	6.3019	-0.0011	009 - 029	6.3324	6.2615	6.2981	0.7	6.2925	0.6	6.2669	0.6	99.4
Portugal	(Es)	151.875	-0.025	850 - 900	151.930	150.910	152.08	-1.6	152.375	-1.3	153.15	-0.8	96.0
Spain	(Pta)	126.345	+0.085	320 - 370	126.370	125.320	126.525	-1.7	126.785	-1.4	127.45	-0.9	80.1
Sweden	(SKr)	6.6155	+0.0193	117 - 192	6.6258	6.5582	6.6127	0.5	6.6029	0.8	6.5555	0.9	88.8
Switzerland	(SFr)	1.2605	-0.0001	600 - 609	1.2615	1.2530	1.2567	3.7	1.2489	3.7	1.216	3.5	107.9
UK	(£)	1.6467	+0.0004	462 - 472	1.6552	1.6460	1.6456	0.8	1.6433	0.8	1.6289	1.1	90.2
Ecu	-	1.2756	-0.0011	752 - 759	1.2816	1.2741	1.277	-1.3	1.2801	-1.4	1.2967	-1.7	-
SDR†	-	0.686827	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	0.9999	-	998 - 999	0.9999	0.9998	-	-	-	-	-	-	-
Brazil	(R$)	1.0317	+0.002	315 - 318	1.0318	1.0297	-	-	-	-	-	-	-
Canada	(C$)	1.3348	+0.0009	345 - 350	1.3350	1.3335	1.3324	2.1	1.3274	2.2	1.2999	2.6	85.5
Mexico	(New Peso)	7.9155	+0.0185	130 - 180	7.9180	7.9080	8.0335	-17.9	8.3	-19.4	9.1605	-15.7	-
USA	($)	-	-	-	-	-	-	-	-	-	-	-	96.6
Pacific/Middle East/Africa													
Australia	(A$)	1.2698	-0.0005	694 - 702	1.2702	1.2687	1.2713	-1.4	1.2732	-1.1	1.2787	-0.7	94.1
Hong Kong	(HK$)	7.7315	-0.001	300 - 330	7.7330	7.7300	7.7314	0.0	7.7319	0.0	7.743	-0.1	-
India	(Rs)	35.7000	-0.052	000 - 000	35.9000	35.5000	35.915	-7.2	36.375	-7.6	-	-	-
Israel	(Shk)	3.2369	-0.0032	336 - 402	3.2402	3.2329	-	-	-	-	-	-	-
Japan	(Y)	111.335	+0.095	300 - 370	111.500	110.820	110.86	5.1	109.855	5.3	105.855	5.1	130.3
Malaysia	(M$)	2.5221	+0.004	217 - 224	2.5224	2.5185	2.525	-1.4	2.5303	-1.3	2.5516	-1.2	-
New Zealand	(NZ$)	1.4103	+0.0005	096 - 110	1.4110	1.4096	1.4158	-4.7	1.4201	-2.8	1.4516	-2.9	-
Philippines	(Peso)	26.2750	-	300 - 200	26.3200	26.2300	-	-	-	-	-	-	-
Saudi Arabia	(SR)	3.7505	-	503 - 507	3.7507	3.7503	3.7508	-0.1	3.7512	-0.1	3.7531	-0.1	-
Singapore	(S$)	1.4004	+0.0019	000 - 007	1.4009	1.3984	1.3962	1.8	1.3937	1.9	1.3724	2.0	-
South Africa	(R)	4.6755	-0.02	730 - 780	4.7040	4.6730	4.7162	-10.4	4.7912	-9.9	5.108	-9.2	-
South Korea	(Won)	826.950	-1.25	900 - 000	828.200	826.900	-	-	-	-	-	-	-
Taiwan	(T$)	27.5000	+0.004	800 - 200	27.5200	27.4800	27.5001	0.0	27.5003	0.0	-	-	-
Thailand	(Bt)	25.4210	-0.0015	150 - 270	25.4270	25.4130	25.511	-4.2	25.6785	-4.1	26.316	-3.5	-

† SDR rate per $ for Nov 11. Bid/offer spreads in the Dollar Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. UK, Ireland & ECU are quoted in US currency. J.P. Morgan nominal indices Nov 11: Base average 1990=100.

WORLD INTEREST RATES

MONEY RATES

November 12	Over night	One month	Three mths	Six mths	One year	Lomb. inter.	Dis. rate	Repo rate
Belgium	3	3¼	3¼	3⅛	3¼	6.00	2.50	-
week ago	3¼	3¼	3¼	3¼	3¼	6.00	2.50	-
France	3⅛	3 11/32	3⅜	3½	3⅜	3.20	-	4.75
week ago	3⅛	3 11/32	3⅜	3½	3⅜	3.20	-	4.75
Germany	3 1/16	2⅞	3 1/16	3⅛	3¼	4.50	2.50	3.00
week ago	3⅛	2⅞	3⅛	3⅛	3¼	4.50	2.50	3.00
Ireland	5¾	5⅝	5⅞	5¾	5⅞	-	-	6.25
week ago	5½	5⅝	5⅞	5⅞	5⅞	-	-	6.25
Italy	8¼	7⅞	7⅞	7¼	6⅞	9.00	7.50	8.05
week ago	7⅞	7⅞	7¼	7¼	7¼	9.00	7.50	8.38
Netherlands	2¾	2⅞	2⅞	3 1/16	3⅛	-	3.00	3.30
week ago	2⅞	2⅞	2⅞	3 1/16	3⅛	-	3.00	3.30
Switzerland	1½	1⅝	1¾	1⅞	1⅞	-	1.00	-
week ago	1¾	1⅝	1⅝	2⅛	2¼	-	1.00	-
US	5⅜	5⅜	5¼	5¼	5⅜	-	5.00	-
week ago	5⅜	5⅜	5¼	5½	5⅜	-	5.00	-
Japan	½	⅜	⅜	½	⅜	-	0.50	-
week ago	½	⅜	½	½	⅝	-	0.50	-
■ $ LIBOR FT London								
Interbank Fixing	-	5⅜	5½	5⅝	5⅞	-	-	-
week ago	-	5⅜	5½	5⅝	5⅞	-	-	-
US Dollar CDs	-	5.11	5.08	5.14	5.26	-	-	-
week ago	-	5.11	5.08	5.13	5.27	-	-	-
ECU Linked Ds	-	4⅛	4⅛	4⅛	4¼	-	-	-
week ago	-	4⅛	4⅛	4⅛	4¼	-	-	-
SDR Linked Ds	-	3¼	3¼	3⅜	3½	-	-	-
week ago	-	3¼	3¼	3⅜	3½	-	-	-

$ LIBOR interbank fixing rates are offered rates for $10m quoted to the market by four reference banks at 11am each working day. The banks are: Bankers Trust, Bank of Tokyo Mitsubishi, Barclays and National Westminster.
Mid rates are shown for the domestic Money Rates, US$ CDs, ECU & SDR Linked Deposits (Ds).

EURO CURRENCY INTEREST RATES

Nov 12	Short term	7 days notice	One month	Three months	Six months	One year
Belgian Franc	3 1/32 - 2 31/32	3⅛ - 2 31/32	3⅛ - 3	3 3/16 - 3 1/16	3 3/16 - 3 1/16	3 5/16 - 3 3/16
Danish Krone	3¾ - 3½	3 21/32 - 3½	3⅝ - 3½	3¾ - 3⅝	3 25/32 - 3⅝	4 1/16 - 3 15/16
D-Mark	3 1/16 - 2 31/32	3 1/16 - 2 31/32	3 1/16 - 2 15/16	3 3/16 - 3 1/16	3 3/16 - 2 15/16	3 5/16 - 3 3/16
Dutch Guilder	2⅞ - 2¾	2⅞ - 2¾	2 29/32 - 2 27/32	3 - 2 27/32	3 1/16 - 3	3¼ - 3⅛
French Franc	3⅜ - 3¼	3 11/32 - 3¼	3 13/32 - 3 5/16	3 7/16 - 3 11/32	3 15/32 - 3 7/16	3 21/32 - 3 17/32
Portuguese Esc.	6 13/16 - 6⅞	6 11/16 - 6 9/16	6 13/16 - 6⅝	6 11/16 - 6 9/16	6 11/16 - 6⅝	6 21/32 - 6 17/32
Spanish Peseta	6 13/16 - 6¾	6 13/16 - 6 11/16	6 13/16 - 6 11/16	6 13/16 - 6 11/16	6 13/16 - 6 11/16	6 11/16 - 6 9/16
Sterling	6 - 5⅞	6 1/16 - 5 15/16	6⅛ - 6 1/16	6 5/16 - 6¼	6½ - 6 7/16	6 13/16 - 6¾
Swiss Franc	1⅝ - 1½	1 11/16 - 1 9/16	1 11/16 - 1 9/16	1⅞ - 1¾	1⅞ - 1¾	2 - 1⅞
Can. Dollar	3 1/16 - 3	3 1/16 - 2⅞	3 1/16 - 2 15/16	3⅛ - 3	3 3/16 - 3 1/16	3 15/32 - 3 11/32
US Dollar	5½ - 5¼	5¼ - 5	5⅜ - 5 5/16	5½ - 5⅜	5 9/16 - 5 15/32	5 21/32 - 5½
Italian Lira	8⅜ - 7½	8¼ - 8	7 15/16 - 7 13/16	7 13/16 - 7 11/16	7 11/16 - 7 9/16	6 13/16 - 6 11/16
Yen	⅜ - 7/16	7/16 - 5/16	17/32 - 13/32	15/32 - 11/32	15/32 - 13/32	⅝ - ½
Asian $Sing	3½ - 3⅜	3 5/16 - 3 3/16	3 5/16 - 3 3/16	3⅜ - 3¼	3 7/16 - 3 5/16	3½ - 3⅜

Short term rates are call for the US Dollar and Yen, others: two days' notice.

■ THREE MONTH PIBOR FUTURES (MATIF) Paris Interbank offered rate

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	96.44	96.43	-0.01	96.45	96.41	13,552	49,352
Mar	96.38	96.38	-	96.40	96.34	13,574	54,866
Jun	96.34	96.33	-	96.36	96.31	4,560	29,914

■ THREE MONTH EUROMARK FUTURES (LIFFE)* DM1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	96.78	96.80	+0.02	96.80	96.78	11350	205517
Mar	96.76	96.80	+0.02	96.81	96.78	21969	190621
Jun	96.65	96.68	+0.03	96.69	96.65	17933	168610
Sep	96.49	96.51	+0.04	96.53	96.48	26257	145711

■ THREE MONTH EUROLIRA FUTURES (LIFFE)* L1000m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	92.69	92.75	+0.04	92.77	92.67	9357	69380
Mar	93.28	93.38	+0.08	93.40	93.28	15762	61708
Jun	93.58	93.67	+0.07	93.69	93.58	3857	37842
Sep	93.71	93.77	+0.08	93.80	93.71	2418	22732

■ THREE MONTH EURO SWISS FRANC FUTURES (LIFFE) SFr1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	98.10	98.12	+0.04	98.15	98.10	4495	30604
Mar	98.06	98.09	+0.07	98.12	98.05	12239	31109
Jun	97.90	97.90	+0.07	97.94	97.88	1909	16524
Sep	97.69	97.67	+0.07	97.69	97.66	691	8598

■ THREE MONTH EUROYEN FUTURES (LIFFE) Y100m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	99.45	99.45	+0.03	99.45	99.45	50	na
Mar	99.36	99.35	+0.06	99.36	99.35	562	na
Jun	99.17	99.18	+0.09	99.19	99.17	1257	na

■ THREE MONTH ECU FUTURES (LIFFE) Ecu1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	95.82	95.83	+0.02	95.83	95.81	678	7252
Mar	95.82	95.83	+0.03	95.83	95.82	429	5974
Jun	95.80	95.80	+0.03	95.80	95.79	172	3235
Sep	95.70	95.71	+0.04	95.71	95.69	48	3079

* LIFFE futures also traded on APT

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

Nov 12		BFr	DKr	FFr	DM	I£	L	Fl	NKr	Es	Pta	SKr	SFr	£	C$	$	Y	Ecu
Belgium	(BFr)	100	18.65	16.42	4.854	1.960	4893	5.441	20.40	491.6	409.1	21.41	4.081	1.966	4.321	3.238	360.3	2.538
Denmark	(DKr)	53.62	10	8.803	2.602	1.051	2623	2.917	10.94	263.6	219.3	11.48	2.188	1.054	2.317	1.736	193.2	1.361
France	(FFr)	60.91	11.36	10	2.956	1.194	2980	3.314	12.43	299.4	249.2	13.04	2.486	1.197	2.632	1.972	219.5	1.546
Germany	(DM)	20.60	3.843	3.383	1	0.404	1008	1.121	4.204	101.3	84.29	4.411	0.841	0.405	0.890	0.667	74.24	0.523
Ireland	(I£)	51.02	9.517	8.377	2.476	1	2496	2.776	10.41	250.9	208.7	10.92	2.082	1.003	2.205	1.652	183.9	1.295
Italy	(L)	2.044	0.381	0.336	0.099	0.040	100.	0.111	0.417	10.05	8.361	0.438	0.083	0.040	0.088	0.066	7.364	0.052
Netherlands	(Fl)	18.38	3.428	3.017	0.892	0.360	899.2	1	3.750	90.35	75.18	3.934	0.750	0.361	0.794	0.595	66.22	0.466
Norway	(NKr)	49.01	9.141	8.046	2.379	0.961	2398	2.667	10	240.9	200.5	10.49	2.000	0.963	2.118	1.587	176.6	1.244
Portugal	(Es)	20.34	3.794	3.339	0.987	0.399	995.2	1.107	4.150	100.	83.21	4.354	0.830	0.400	0.879	0.659	73.29	0.516
Spain	(Pta)	24.44	4.559	4.013	1.186	0.479	1196	1.330	4.988	120.2	100.	5.233	0.998	0.481	1.056	0.791	88.08	0.620
Sweden	(SKr)	46.71	8.713	7.669	2.267	0.916	2286	2.542	9.532	229.7	191.1	10	1.906	0.918	2.018	1.512	168.3	1.185
Switzerland	(SFr)	24.50	4.570	4.023	1.189	0.480	1199	1.333	5.000	120.5	100.2	5.246	1	0.482	1.059	0.793	88.29	0.622
UK	(£)	50.87	9.488	8.352	2.469	0.997	2489	2.768	10.38	250.1	208.1	10.89	2.076	1	2.198	1.647	183.3	1.291
Canada	(C$)	23.14	4.317	3.800	1.123	0.454	1132	1.259	4.722	113.8	94.68	4.955	0.944	0.455	1	0.749	83.39	0.587
US	($)	30.89	5.761	5.071	1.499	0.605	1511	1.681	6.302	151.9	126.4	6.612	1.260	0.607	1.335	1	111.3	0.784
Japan	(Y)	27.75	5.176	4.556	1.347	0.544	1358	1.510	5.663	136.4	113.5	5.941	1.133	0.546	1.199	0.899	100.	0.704
Ecu		39.40	7.349	6.469	1.912	0.772	1926	2.144	8.040	193.7	161.2	8.435	1.608	0.775	1.703	1.276	142.0	1

Danish Kroner, French Franc, Norwegian Kroner, and Swedish Kronor per 10; Belgian Franc, Yen, Escudo, Lira and Peseta per 100.

■ D-MARK FUTURES (IMM) DM 125,000 per DM

	Open	Latest	Change	High	Low	Est. vol	Open int.
Dec	0.6718	0.6695	-0.0015	0.6695	0.6682	26,617	64,991
Mar	0.6749	0.6734	-0.0014	0.6734	0.6722	643	4,830
Jun	0.6763	0.6763	-	0.6763	0.6763	41	2,583

■ JAPANESE YEN FUTURES (IMM) Yen 12.5 per Yen 100

	Open	Latest	Change	High	Low	Est. vol	Open int.
Dec	0.9054	0.9038	-0.0017	0.9038	0.9016	28,734	69,308
Mar	0.9174	0.9134	-0.0033	0.9150	0.9134	147	3,425
Jun	0.9260	0.9258	-0.0023	0.9260	0.9258	4	510

■ SWISS FRANC FUTURES (IMM) SFr 125,000 per SFr

	Open	Latest	Change	High	Low	Est. vol	Open int.
Dec	0.8003	0.7976	-0.0014	0.7978	0.7958	14,577	48,458
Mar	0.8033	0.8046	-0.0014	0.8046	0.8030	410	3,595
Jun	0.8107	0.8107	-0.0020	0.8107	0.8107	2	665

■ STERLING FUTURES (IMM) £62,500 per £

	Open	Latest	Change	High	Low	Est. vol	Open int.
Dec	1.6494	1.6446	-0.0020	1.6484	1.6446	11,434	59,275
Mar	1.6432	1.6430	-0.0002	1.6444	1.6430	20	989
Jun	-	1.6400	-	1.6410	-	45	204

UK INTEREST RATES

LONDON MONEY RATES

Nov. 12	Over-night	7 days notice	One month	Three months	Six months	One year
Interbank Sterling	6¾ - 5½	6 1/16 - 5 15/16	6⅛ - 6	6⅜ - 6¼	6 7/16 - 6 7/16	6⅞ - 6¾
Sterling CDs	-	-	6 3/32 - 6 1/32	6¼ - 6 3/16	6 13/32 - 6 11/32	6 21/32 - 6 19/32
Treasury Bills	-	-	5 29/32 - 5 27/32	5 31/32 - 5 29/32	-	-
Bank Bills	-	-	5 31/32 - 5 29/32	6 1/16 - 6	6¼ - 6 3/16	-
Local authority deps.	6⅝ - 6	6 - 5¾	6 1/16 - 6	6⅛ - 6 1/16	6 5/16 - 6 3/16	6 9/16 - 6 7/16
Discount Market deps	6½ - 5½	6 1/16 - 5 15/16	-	-	-	-

UK clearing bank base lending rate 6 per cent from October 30, 1996

	Up to 1 month	1-3 month	3-6 months	6-9 months	9-12 months
Certs of Tax dep. (£100,000)	2½	5½	5	5	4¾

Certs of Tax dep. under £100,000 is 2½pc. Deposits withdrawn for cash 1½pc.
Ave. tender rate of discount on Nov 8, 5.9068pc. ECGD fixed rate Stlg. Export Finance. Make up day Oct 31, 1996. Agreed rate for period Nov 26, 1996 to Dec 24, 1996, Scheme III 7.25pc. Reference rate for period Oct 1, 1996 to Oct 31, 1996, Schemes IV & V 6.001pc. Finance House Base Rate 6pc from Nov 1, 1996

■ THREE MONTH STERLING FUTURES (LIFFE) £500,000 points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	93.61	93.62	+0.02	93.62	93.61	11173	99972
Mar	93.36	93.36	+0.01	93.39	93.35	10230	110196
Jun	93.06	93.06	+0.01	93.10	93.05	12491	98197
Sep	92.87	92.83	-	92.88	92.81	5046	60597
Dec	92.66	92.65	-0.01	92.70	92.63	3101	46146

Also traded on APT. All Open Interest figs. are for previous day.

■ SHORT STERLING OPTIONS (LIFFE) £500,000 points of 100%

Strike Price	CALLS Dec	CALLS Mar	CALLS Jun	PUTS Dec	PUTS Mar	PUTS Jun
9350	0.16	0.12	0.12	0.04	0.26	0.56
9375	0.02	0.04	0.06	0.15	0.43	0.75
9400	0	0.01	0.03	0.38	0.65	0.97

Est. vol. total, Calls 1049 Puts 1869. Previous day's open int., Calls 189276 Puts 150986

EMS EUROPEAN CURRENCY UNIT RATES

Nov 12	Ecu cen. rates	Rate against Ecu	Change on day	% +/- from cen. rate	% spread v weakest	Div. ind.
Ireland	0.792214	0.776872	+0.001686	-1.94	3.67	13
Portugal	195.792	194.982	-0.121	-0.41	2.09	3
Spain	162.493	162.132	-0.053	-0.22	1.89	2
Finland	5.80661	5.80747	-0.0067	0.01	1.65	-0
Netherlands	2.15214	2.15893	-0.0008	0.32	1.35	-2
Belgium	39.3960	39.6664	-0.0251	0.69	0.97	-5
Germany	1.91007	1.92491	-0.00103	0.78	0.88	-6
Austria	13.4383	13.5444	-0.0071	0.79	0.87	-6
Denmark	7.28580	7.39413	-0.01218	1.49	0.18	-10
France	6.40608	6.51287	-0.00166	1.67	0.00	-14
NON ERM MEMBERS						
Greece	292.867	304.713	+0.573	4.04	-2.29	-
Italy	2106.15	1943.65	+2.5	-7.72	10.17	-
UK	0.786652	0.779182	+0.001691	-0.95	2.64	-

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate.
(17/9/92) Sterling and Italian Lira suspended from ERM. Adjustment calculated by the Financial Times.

■ PHILADELPHIA SE £/$ OPTIONS £31,250 (cents per pound)

Strike Price	CALLS Nov	CALLS Dec	CALLS Jan	PUTS Nov	PUTS Dec	PUTS Jan
1.620	-	-	3.63	-	0.52	0.98
1.630	1.92	2.54	2.97	0.03	0.80	1.32
1.640	1.12	1.96	2.44	0.22	1.17	1.73
1.650	0.52	1.43	1.92	0.62	1.65	2.23
1.660	0.18	1.01	1.50	1.28	2.27	2.74

Previous day's vol., Calls 2,624 Puts 1,747 . Prev. day's open int., Calls 163,506 Puts 156,362

■ THREE MONTH EURODOLLAR (IMM) $1m points of 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Dec	94.48	94.49	-	94.50	94.48	6,581	458,592
Mar	94.44	94.46	+0.01	94.47	94.46	7,304	372,861
Jun	94.34	94.37	+0.02	94.38	94.36	3,312	293,431

■ US TREASURY BILL FUTURES (IMM) $1m per 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Dec	95.00	95.00	-	95.00	95.00	46	3,568
Mar	-	94.93	-	94.95	94.93	27	2,684
Jun	94.85	94.85	+0.03	94.85	94.85	13	1,507

All Open interest figs. are for previous day

■ EUROMARK OPTIONS (LIFFE) DM1m points of 100%

Strike Price	CALLS Nov	CALLS Dec	CALLS Jan	CALLS Mar	PUTS Nov	PUTS Dec	PUTS Jan	PUTS Mar
9675	0.05	0.07	0.10	0.14	0.01	0.02	0.05	0.09
9700	0	0	0.01	0.04	0.20	0.20	0.21	0.24
9725	0	0	0	0.01	0.45	0.45	0.45	0.46

Est. vol. total, Calls 12952 Puts 11654. Previous day's open int., Calls 435750 Puts 326889

■ EURO SWISS FRANC OPTIONS (LIFFE) SFr 1m points of 100%

Strike Price	CALLS Dec	CALLS Mar	CALLS Jun	PUTS Dec	PUTS Mar	PUTS Jun
9825	0.06	0.15	0.17	0.19	0.31	0.52
9850	0.02	0.07	0.09	0.40	0.48	0.69

Est. vol. total, Calls 0 Puts 0. Previous day's open int., Calls 4238 Puts 2150

■ EUROLIRA OPTIONS (LIFFE) L1000m points of 100%

Strike Price	CALLS Dec	CALLS Mar	CALLS Jun	PUTS Dec	PUTS Mar	PUTS Jun
9275	0.13	0.71	1.03	0.13	0.08	0.11
9300	0.04	0.50	0.81	0.29	0.12	0.14
9325	0.01	0.34	0.62	0.51	0.21	0.20

Est. vol. total, Calls 5963 Puts 1579. Previous day's open int., Calls 125296 Puts 73679

BASE LENDING RATES

	%		%		%
Adam & Company	6.00	Cyprus Popular Bank	6.00	NatWestminster	6.00
Allied Irish Bank (GB)	6.00	Duncan Lawrie	6.00	●Rea Brothers	6.00
Allied Trust Bank	6.00	Exeter Bank Limited	7.00	Royal Bk of Scotland	6.00
●Henry Ansbacher	6.00	Financial & Gen Bank	7.00	●Singer & Friedlander	6.00
Bank of Baroda	6.00	●Robert Fleming & Co	6.00	●Smith & Williamson Secs	6.00
Banco Bilbao Vizcaya	6.00	Girobank	5.75	Scottish Widows Bank	6.00
Bank of Cyprus	6.00	●Guinness Mahon	6.00	TSB	6.00
Bank of Ireland	6.00	Habib Bank AG Zurich	6.00	United Bank of Kuwait	6.00
Bank of India	6.00	●Hambros Bank	6.00	Unity Trust Bank Plc	5.75
Bank of Scotland	5.75	Heritable & Gen Inv Bk	6.00	Western Trust	6.00
Barclays Bank	6.00	●Hill Samuel	6.00	Whiteaway Laidlaw	6.00
Brit Bk of Mid East	6.00	C. Hoare & Co	6.00	Yorkshire Bank	6.00
●Brown Shipley & Co Ltd	6.00	Hongkong & Shanghai	6.00		
Citibank NA	6.00	Julian Hodge Bank	6.00		
Clydesdale Bank	6.00	●Leopold Joseph & Sons	6.00		
The Co-operative Bank	6.00	Lloyds Bank	6.00		
Coutts & Co	6.00	Midland Bank	5.75		
Credit Lyonnais	6.00	*Mount Credit Corp	6.25		

● Members of London Investment Banking Association
* In administration

COMMODITIES AND AGRICULTURE

Chinese group signs 30-year alumina deal

By Nikki Tait in Sydney and Kenneth Gooding in London

China's biggest aluminium producer has signed a unique, 30-year supply contract and is to pay $240m in advance for raw material from Alcoa World Alumina and Chemicals, which is the world's largest supplier of alumina.

The deal, announced yesterday, will entitle China National Nonferrous Metals Industry Corporation to take 400,000 tonnes of alumina – an essential raw material in aluminium production – each year.

CNNC will pay on a per tonne basis as well as providing cash up-front.

Mr Nicholas Curtis, chief executive of Sino Mining Alumina, the CNNC subsidiary that has signed the deal, said China had been a major importer of aluminium bought on the spot market, and the long-term arrangement would help to create a "stronger, more stable base" for the company's alumina supply.

The deal was in line with CNNC's determination to forge longer-term relationships, Mr Curtis said.

AWAC was formed two years ago when the Alcoa of the US, the world's biggest aluminium group, and WMC of Australia merged their international bauxite and alumina interests. Together, these operations account for about 25 per cent of world alumina output.

Analysts suggested yesterday that the deal bore witness to Alcoa's strength in the market. They added that while China has a relatively poor reputation for non-payment for commodities, the payment in advance would give Alcoa a great deal of comfort.

Mr Tim Armstrong, analyst at CRU International, a consultancy group, said the deal was highly unusual. There had been some supply arrangements between western companies lasting up to 20 years, but 30 years was unheard of.

He pointed out that the annual tonnage involved represented nearly one-third of China's present alumina imports of 1.5m tonnes. The Alcoa alumina would probably meet all CNNC's requirements after taking its domestic supply into account. CNNC produces about 735,000 tonnes of aluminium a year and it takes about two tonnes of alumina to make one tonne of aluminium.

Mr Raju Daswani, analyst at Metal Bulletin Research, pointed out that growth in demand for aluminium in China in the 10 years to 1995 was "spectacular", averaging nearly 13 per cent a year. China was having to import about 200,000 tonnes of aluminium a year from the west and wanted to reduce this total.

While China had substantial deposits of bauxite, it was very short of refining capacity to turn bauxite into alumina, Mr Daswani added. The country could use the breathing space provided by the Alcoa contract to build more of this capacity.

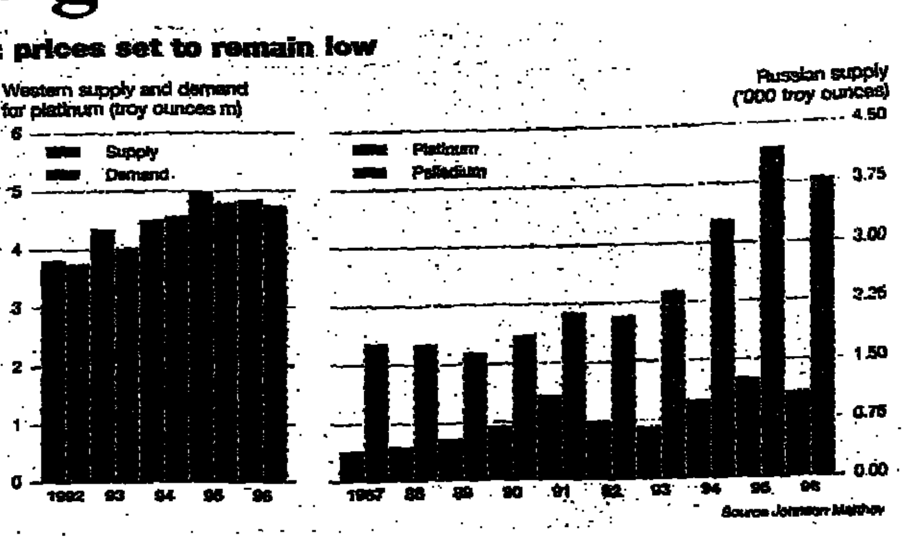
Spot prices for alumina have fallen by more than half this year to about $150 a tonne, as the market moved into a small supply surplus in the first six months of 1996.

Mr Jim Lennon, analyst at Macquarie Equities, part of the Australian banking group, said recent cuts in production by Alcoa and Reynolds Metals of the US totalled about 600,000 tonnes and this should ensure the market returned to balance.

Russian destocking hits metals market

By Kenneth Gooding, Mining Correspondent

Platinum and palladium: prices set to remain low



Russia is continuing to dig into its stockpiles of platinum and palladium and this will continue to keep prices at relatively low levels, according to a report published yesterday by Johnson Matthey, the world's marketing organisation for platinum group metals.

Johnson Matthey has lowered its price forecasts and suggested in its interim market review that platinum will range between $370 and $400 a troy ounce during the next six months. It sees palladium prices ranging between $105 and $135 an ounce during that time.

Sales of platinum to the west by Russia are predicted to fall from 1.28m to 1.1m ounces this year and exports of palladium from 4.2m to 3.8m ounces. This implies Russia's revenue from platinum group metals will drop by at least $50m from last year's $1bn.

Mr Mike Steel, JM's market research director, expects Russia's sales of platinum and palladium to the west to remain well above its capacity to produce the metals. But he says platinum sales probably peaked in 1995 and "we should begin to worry about a fall in supplies from this source from 1998 onwards." Russia's palladium stocks are big enough to keep the western market supplied well into the next century, he says.

Russia has been taking full advantage of the global boom in sales of electronic equipment to gain extra foreign earnings. Platinum is used to make high quality glass for liquid crystal displays and cathode ray tubes for desk top monitors and personal computers, and increasingly to coat data storage discs. Palladium is an essential raw material in most multi-layer ceramic capacitors used in electronic equipment such as mobile telephones and computers.

Ms Alison Cowley, author of the review, says electronics industry sales have continued to rise but stocks of finished goods and components accumulated in 1995 so production rates have been cut. JM is forecasting that palladium demand this year will remain virtually unchanged at 6.11m ounces while supplies will fall by 6 per cent to 5.98m ounces.

It predicts platinum demand will fall by 0.6 per cent to 4.77m ounces this year and supply by 3 per cent to 4.85m ounces.

Platinum 1996: interim review. Johnson Matthey, 78 Hatton Garden, London EC1N 8JP, UK. Free.

Oil price weakens ahead of data on stock levels

MARKETS REPORT

By Robert Corzine and Deborah Hargreaves

Oil prices weakened yesterday as traders awaited American Petroleum Institute data on stock levels of key products. In late trading in London world benchmark Brent Blend was quoted at $22.90 a barrel, down 11 cents on Monday's close.

The general uncertainty in the markets ahead of the API figures, which were due to be relased after trading ended, also affected the price of refined products. The November gas oil contract on London's International Petroleum Exchange expired off 50 cents at $220 a tonne amid reports of healthier stock levels. The general market weakness also affected jet fuel.

The copper market touched its highest level since early September but drifted back as some profit-taking emerged following the release of London Metal Exchange stock figures.

"Traders bid up the market in anticipation of a large draw-down in LME stocks, but when that materialised as expected, prices turned around," said Mr Martin Squires, at Rudol Wolff.

The price for three-month metal closed at $2,045 a tonne, $36 a tonne higher than Monday's close but down from a peak of $2,057.

LME stocks fell by 4,225 tonnes, bringing inventories to a six-year low of 109,175 tonnes; a critical level representing less than four weeks' consumption. Mr Squires said the market remained susceptible to further price spikes with stocks remaining at low levels.

LME WAREHOUSE STOCKS
(As at Thursday's close) tonnes

Aluminium	+825	to 969,475
Aluminium alloy	–40	to 76,980
Copper	–4,225	to 109,175
Lead	–200	to 114,975
Nickel	+630	to 43,938
Zinc	–3,175	to 537,475
Tin	–115	to 9,580

US lifts feedgrain harvest estimates

By Laurie Morse in Chicago

The US Department of Agriculture yesterday increased its estimate for this season's US feedgrains harvests. In its monthly crop report, the department said favourable autumn weather had produced near-record maize and soyabean crops.

The news sent soyabean futures at the Chicago Board of Trade to their lowest levels of the year, while prices for young cattle ready for feedlot fattening rallied to new highs.

Analysts said prospects for cheap grain would lead to the expansion of cattle and hog herds, and improve results for big poultry concerns, such as Arkansas-based Tyson Foods.

Soyabean production is estimated at 2.4bn bushels.

"Given the poor conditions during planting, the crop made a remarkable recovery," said Mr Dick Loewy, president of AgResources, the Chicago-based analysts.

Soyabean futures for January delivery were down 4.5 cents a bushel by midday to 672.5 cents, after setting a contract low of 662 cents early in the session.

The US maize crop is predicted to be 26 per cent higher than last year at 9.27bn bushels. Corn futures for December delivery had fallen by 2.25 cents to 265.75 cents a bushel by midday.

Work on gas link to Europe under way

By Robert Corzine

Work has begun on the British end of the UK-Continent interconnector, the £450m pipeline that will complete Europe's natural gas grid. Project officials said they were confident of meeting the October 1 1998 target date for the first exports of UK gas from Bacton on the Norfolk coast to Zeebrugge in Belgium.

"We are currently bang on schedule," said Mr Tony McEwan, who will oversee the construction of the onshore elements of the 150 mile pipeline.

Completion of the line is expected to have a substantial impact on gas trading and prices in western Europe, as the UK currently has a surplus of gas which can be sent to the continent.

It will also enable London's International Petroleum Exchange to launch Europe's first true spot and futures market in natural gas.

The interconnector, whose shareholders include nine large international oil and gas companies, has been designed to flow either way, so that eventually gas from Russia or other remote producers can be exported to the UK once output from the North Sea declines.

Mr McEwan said yesterday it was impossible to forecast when that might occur. "It could be 10 years or it could be 30 years," he said. "It depends on developments in the North Sea and west of Shetlands."

Wingas, the German joint venture between Wintershall and Gazprom of Russia, has agreed to buy 3bn cubic meters (bcm) of gas a year under separate contracts with British Gas and Conoco. The line has a capacity of 20bcm, equal to about a fifth of UK demand.

COMMODITIES PRICES

BASE METALS

LONDON METAL EXCHANGE
(Prices from Amalgamated Metal Trading)

■ ALUMINIUM, 99.7 PURITY ($ per tonne)

	Cash	3 mths
Close	1435.0-36.0	1458-59
Previous	1422.5-23.5	1446-47
High/low	1434	1465/1453
AM Official	1434.5-35.0	1457-58
Kerb close		1454-55
Open int.	236,061	
Total daily turnover	63,651	

■ ALUMINIUM ALLOY ($ per tonne)

Close	1275-85	1305-10
Previous	1265-75	1295-300
High/low	1278	1305
AM Official	1276-82	1307-10
Kerb close		1300-10
Open int.	6,425	
Total daily turnover	1,080	

■ LEAD ($ per tonne)

Close	733.5-34.5	736-36.5
Previous	726-9	731.5-2.5
High/low	731	740/733
AM Official	730.5-31.0	735-35.5
Kerb close		736-37
Open int.	39,774	
Total daily turnover	8,802	

■ NICKEL ($ per tonne)

Close	7105-10	7215-20
Previous	7075-85	7190-95
High/low		7270/7210
AM Official	7120-22	7235-38
Kerb close		7225-30
Open int.	44,634	
Total daily turnover	10,362	

■ TIN ($ per tonne)

Close	5950-60	5990-6000
Previous	5865-75	5915-25
High/low		6030/5925
AM Official	5990-95	5940-41
Kerb close		5970-80
Open int.	16,445	
Total daily turnover	6,441	

■ ZINC, special high grade ($ per tonne)

Close	1043-44	1064-65
Previous	1028-29	1060-61
High/low	1041.5	1066/1063
AM Official	1041-41.5	1063.5-64.0
Kerb close		1063-64
Open int.	86,205	
Total daily turnover	15,948	

■ COPPER, grade A ($ per tonne)

Close	2142-45	2054-55
Previous	2085-88	2011-13
High/low	2120/2101	2058/2013
AM Official	2105-06	2023-24
Kerb close		2046-47
Open int.	164,029	
Total daily turnover	69,997	

■ LME AM Official £/$ rate: 1.6489
LME Closing £/$ rate: 1.6475

Spot: 1.6466 3 mths: 1.6434 6 mths: 1.6392 9 mths: 1.6347

■ HIGH GRADE COPPER (COMEX)

	Latest price	Day's change	High	Low	Vol	Open int
Nov	98.65	+2.60	98.70	96.50	212	2,442
Dec	97.95	+2.35	98.15	95.65	3,489	21,820
Jan	96.45	+2.35	96.40	95.40	56	1,979
Feb	95.45	+2.25	93.20	93.20	180	1,061
Mar	94.55	+2.30	94.70	92.80	553	12,575
Apr	93.80	+2.10	93.70	93.70	63	556
Total					4,837	58,500

PRECIOUS METALS

■ LONDON BULLION MARKET
(Prices supplied by N M Rothschild)

Gold(Troy oz)	$ price	£ equiv	SFr equiv
Close	381.50-381.80		
Opening	381.70-382.10		
Morning fix	381.60	230.783	478.832
Afternoon fix	381.90	231.749	481.118
Day's High	382.30-382.70		
Day's Low	381.30-381.70		
Previous close	380.70-381.00		

Loco Ldn Mean Gold Lending Rates (Vs US$)

1 month	3.14	6 months	3.31
2 months	3.08	12 months	3.41
3 months	3.07		

Silver Fix	p/troy oz.	US cts equiv.
Spot	297.10	490.50
3 months	301.30	496.45
6 months	305.45	502.20
1 year	315.15	515.10

Gold Coins	$ price	£ equiv.
Krugerrand	378-380	229-231
Maple Leaf	388.60-389.10	-
New Sovereign	391-394	237-239

Precious Metals continued

■ GOLD COMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
Nov	382.9	+0.6	-	-	14	6
Dec	383.4	+0.6	383.8	382.3	27,248	90,353
Feb	385.5	+0.7	385.7	384.1	758	27,797
Apr	387.5	+0.7	388.0	386.3	54	12,652
Jun	389.8	+0.7	390.0	389.0	33	12,434
Aug	392.1	+0.7	-	-	321	4,390

■ PLATINUM NYMEX (50 Troy oz.; $/troy oz.)

Jan	392.0	+1.0	393.6	390.0	3,443	17,921
Apr	394.5	+1.0	395.0	394.0	177	8,426
Jul	397.4	+1.0	397.5	397.5	1	989
Oct	400.7	+1.0	-	-	8	136

■ PALLADIUM NYMEX (100 Troy oz.; $/troy oz.)

Dec	119.95	+1.95	120.75	119.00	194	6,304
Mar	121.05	+1.95	122.00	120.25	78	1,516
Jun	122.15	+1.95	122.00	120.25	71	216

■ SILVER COMEX (5,000 Troy oz.; Cents/troy oz.)

Nov	488.9	-1.3	-	-	12	6
Dec	488.0	-1.3	491.0	483.0	8,025	57,071
Jan	490.0	-1.3	-	-	-	26
Mar	494.9	-1.2	497.0	490.5	1,157	17,214
May	499.2	-1.2	500.0	496.0	58	8,681
Jul	503.6	-1.2	502.5	502.5	57	5,532

ENERGY

■ CRUDE OIL NYMEX (1,000 barrels $/barrel)

	Latest price	Day's change	High	Low	Vol	Open int
Dec	23.32	-0.08	23.46	23.15	37,151	71,872
Jan	23.19	-0.07	23.35	23.05	17,830	67,667
Feb	22.90	-0.03	23.03	22.80	7,056	37,675
Mar	22.54	-0.05	22.65	22.47	4,634	24,719
Apr	22.22	-0.04	22.22	22.22	1,150	17,582
May	21.89	-0.04	21.93	21.88	1,340	13,173
Total					73,213	384,925

■ CRUDE OIL IPE ($/barrel)

	Latest price	Day's change	High	Low	Vol	Open int
Dec	22.90	-0.11	22.98	22.76	16,835	38,967
Jan	22.58	-0.04	22.63	22.43	10,370	62,837
Feb	22.12	-0.07	22.20	22.00	2,685	27,915
Mar	21.57	-0.10	21.67	21.52	2,065	28,853
Apr	21.15	-0.04	21.15	21.08	335	9,240
May	20.60	-0.12	20.70	20.60	264	4,841
Total					38,376	198,745

■ HEATING OIL NYMEX (42,000 US galls.; c/US galls.)

	Latest price	Day's change	High	Low	Vol	Open int
Dec	68.50	+0.15	68.70	67.85	20,868	38,713
Jan	68.45	+0.09	68.60	67.85	8,091	35,930
Feb	67.00	+0.09	67.15	66.80	2,750	16,820
Mar	64.75	+0.29	64.80	64.40	1,124	9,599
Apr	61.35	+0.24	61.45	61.25	116	5,486
May	58.95	+0.29	58.95	58.80	147	3,093
Total					32,972	127,896

■ GAS OIL IPE ($/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Nov	220.50	-	220.25	218.00	6,817	13,179
Dec	210.75	-1.00	212.25	208.75	12,286	25,684
Jan	207.25	-1.50	208.75	205.75	5,442	26,130
Feb	202.00	-1.25	203.00	201.00	1,793	8,741
Mar	195.75	-1.00	196.50	195.00	179	8,430
Apr	189.50	-0.75	190.00	188.50	232	4,558
Total					27,157	97,737

■ NATURAL GAS NYMEX (10,000 mmBtu.; $/mmBtu.)

	Latest price	Day's change	High	Low	Vol	Open int
Dec	2.570	-0.083	2.750	2.625	13,743	35,382
Jan	2.673	-0.086	2.750	2.640	7,036	28,446
Feb	2.470	-0.026	2.500	2.490	2,705	15,257
Mar	2.256	-0.025	2.285	2.230	799	10,588
Apr	2.080	-0.020	2.080	2.070	238	6,367
May	2.015	-0.010	2.020	2.005	273	5,682
Total					25,428	148,131

■ UNLEADED GASOLINE
NYMEX (42,000 US galls.; c/US galls.)

	Latest price	Day's change	High	Low	Vol	Open int
Dec	65.00	-0.02	65.60	64.75	14,256	23,379
Jan	63.45	-0.16	63.90	63.20	5,615	15,929
Feb	63.20	-0.06	63.30	63.05	1,651	6,905
Mar	63.50	-0.11	63.50	63.50	498	3,723
Apr	65.30	-0.21	65.30	65.30	168	2,888
May	63.90	-	63.90	63.90	120	1,323
Total					22,362	56,251

GRAINS AND OIL SEEDS

■ WHEAT LIFFE (£ per tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Nov	97.25	+1.15	94.50	94.50	20	25
Jan	99.05	+1.20	98.20	97.75	63	2,105
Mar	100.90	+1.15	100.90	99.75	167	1,925
May	102.10	+1.20	102.10	100.75	154	1,835
Jul	103.25	+1.10	-	-	-	298
Nov	97.75	+0.60	-	97.00	13	202
Total					384	6,382

■ WHEAT CBT (5,000bu min; cents/60lb bushel)

Dec	381.50	+8	386.00	381.50	7,183	27,323
Mar	387.75	+8.75	389.00	378.00	5,003	19,658
May	364.50	+7.25	366.50	357.50	682	3,008
Jul	351.25	+6	353.00	345.50	869	11,382
Sep	354.50	+5.5	354.50	354.50	26	363
Dec	362.00	+4	365.00	359.50	14	180
Total					13,779	61,993

■ MAIZE CBT (5,000 bu min; cents/56lb bushel)

Dec	268.00	-0.25	273.50	262.25	32,435	124,753
Mar	270.50	-1.25	275.50	265.50	15,897	104,289
May	273.50	-2.75	279.00	268.50	5,424	45,332
Jul	276.25	-2.75	281.00	272.50	5,546	36,885
Sep	272.00	-1.75	273.50	269.25	381	4,418
Dec	270.50	-0.25	271.00	266.50	1,600	29,292
Total					61,302	346,753

■ BARLEY LIFFE (£ per tonne)

Nov	92.40	+0.40	92.50	92.50	13	282
Jan	93.75	+0.75	93.50	93.50	20	746
Mar	95.00	+1.00	95.00	95.00	35	218
May	96.00	+0.50	96.25	95.85	-	116
Sep	92.50	+0.25	-	-	-	1
Nov	94.50	+0.25	-	-	-	25
Total					64	1,388

■ SOYABEANS CBT (5,000bu min; cents/60lb bushel)

Nov	688.50	+8.5	689.00	666.00	2,178	4,322
Jan	686.25	+9.25	689.00	662.00	21,154	69,228
Mar	688.75	+8.25	689.00	663.00	4,778	33,710
May	688.25	+7.75	689.50	665.00	1,701	17,804
Jul	689.50	+6.75	690.00	668.00	3,106	15,149
Aug	687.00	+6	687.00	667.00	242	1,899
Total					33,889	151,862

■ SOYABEAN OIL CBT (60,000lbs; cents/lb)

Dec	23.04	+0.29	23.05	22.30	4,851	40,173
Jan	23.27	+0.26	23.30	22.58	2,629	23,317
Mar	23.67	+0.31	23.68	22.97	1,726	20,049
May	24.00	+0.3	23.85	23.35	644	10,783
Jul	24.27	+0.27	24.10	23.66	379	5,274
Aug	24.30	+0.25	24.10	23.85	25	1,429
Total					10,302	103,334

■ SOYABEAN MEAL CBT (100 tons; $/ton)

Dec	230.7	+4	232.7	222.5	6,791	34,688
Jan	222.8	+3.7	223.8	214.0	3,022	16,806
Mar	216.6	+3.2	217.5	208.0	2,727	20,371
May	212.6	+4.1	213.0	205.0	1,135	10,213
Jul	212.0	+4	212.0	204.0	1,241	6,992
Aug	210.7	+2.7	211.5	203.5	134	1,473
Total					16,293	92,729

■ POTATOES LIFFE (£/tonne)

Mar	63.2	-0.6	-	-	-	-
Apr	71.2	-0.8	72.0	70.5	42	1,297
May	80.2	-0.2	-	-	-	17
Jun	90.2	-0.2	-	-	-	-
Apr	118.0	+1.0	118.0	118.0	6	5
Total					44	1,322

■ FREIGHT (BIFFEX) LIFFE ($10/index point)

Nov	1510	-46	1545	1495	25	346
Dec	1450	-60	1500	1450	107	576
Jan	1375	-76	1440	1360	251	1,827
Apr	1375	-85	1455	1370	94	684
Jul	1150	-50	1160	1140	30	229
Oct	1280	-40	-	-	-	34
Total					507	3,721

	Close	Prev
BFI	1515	1502

FUTURES DATA
All futures data supplied by CMS.

Minor Metals
European free market, from Metal Bulletin. $ per lb in warehouse, unless otherwise stated (last week's in brackets, where changed). **Antimony:** 99.65%, $ per tonne, 1,900-2,050 (1,950-2,000). **Bismuth:** min. 99.99%, tonne lots 3.10-3.40 (3.20-3.50). **Cadmium:** min. 99.95%, cents a pound, 65-70 (70-75). **Cobalt:** MB free market, min. 99.8%, 21.00-21.60 (21.00-21.80); min. 99.3%, 19.40-20.40 (19.50-20.80). **Mercury:** min. 99.99%, $ per 76 lb flask, 162-172. **Molybdenum:** drummed molybdic oxide, 3.50-3.90 (4.00-4.30). **Selenium:** min 99.5%, 2.90-3.60 (2.90-3.80). **Tungsten ore:** standard min. 65%, $ per tonne unit (10kg) WO_3, cif. 40-50. **Vanadium:** min. 98%, cif, 3.15-3.25 (3.10-3.25). **Uranium:** Nuexco unrestricted exchange value, 14.90.

SOFTS

■ COCOA LIFFE (£/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Dec	893	-12	905	890	909	24,496
Mar	925	-12	937	923	1,590	45,734
May	942	-12	953	940	1,231	14,463
Jul	959	-12	971	958	501	12,473
Sep	975	-12	986	974	369	6,644
Dec	990	-10	1002	989	357	4,932
Total					5,115	132,322

■ COCOA CSCE (10 tonnes; $/tonnes)

Dec	1305	-32	1341	1303	2,522	9,646
Mar	1351	-32	1383	1350	3,847	35,275
May	1371	-29	1400	1370	470	10,048
Jul	1388	-30	1417	1388	105	7,126
Sep	1406	-29	1433	1405	272	6,098
Dec	1425	-29	-	-	11	898
Total					7,231	78,019

■ COCOA (ICCO) (SDR's/tonne)

Nov 11	Price	Prev. day
Daily	996.31	994.91

■ COFFEE LIFFE ($/tonne)

Nov	1522	+2	1525	1504	383	2,819
Jan	1447	+17	1449	1415	1,953	16,101
Mar	1387	+15	1387	1360	560	8,397
May	1366	+13	1365	1345	202	4,552
Jul	1370	+14	1370	1345	48	571
Sep	1370	+14	1350	1350	45	180
Total						

■ COFFEE 'C' CSCE (37,500lbs; cents/lbs)

Dec	118.20	-1.75	120.70	116.80	5,348	8,483
Mar	110.40	+1.30	110.50	108.40	4,636	13,284
May	107.50	+1.55	107.50	105.50	503	4,470
Jul	106.50	+1.50	106.50	105.00	99	1,120
Sep	105.50	+1.50	106.00	102.50	140	734
Dec	104.50	+1.45	102.00	101.50	40	416
Total					10,766	28,592

■ COFFEE (ICO) (US cents/pound)

Nov 11	Price	Prev. day
Comp. daily	97.62	100.28
15 day average	99.29	99.32

■ WHITE SUGAR LIFFE ($/tonne)

Dec	303.8	-3.9	307.7	303.5	1,247	2,207
Mar	303.3	-3.4	307.3	302.7	1,864	14,975
May	304.3	-2.5	305.7	304.0	58	4,699
Aug	305.7	-2.6	308.0	305.0	58	2,243
Oct	300.4	-2.0	300.0	300.0	13	1,173
Dec	302.9	-0.2	306.0	305.4	13	309
Total						

■ SUGAR '11' CSCE (112,000lbs; cents/lbs)

Mar	10.38	-0.17	10.48	10.35	5,328	86,228
May	10.50	-0.11	10.56	10.47	769	28,958
Jul	10.45	-0.08	10.49	10.42	440	19,125
Oct	10.47	-0.05	10.49	10.43	153	11,568
Mar	10.46	-0.08	10.51	10.45	82	3,874
May	10.44	-0.08	10.51	10.51	16	803
Total					6,771	152,051

■ COTTON NYCE (50,000lbs; cents/lbs)

Dec	70.30	-0.42	70.75	69.90	7,234	22,394
Mar	72.85	-0.13	72.90	72.10	5,327	15,799
May	73.80	-0.28	74.05	73.45	1,003	9,585
Jul	74.55	-0.30	74.85	74.20	633	6,663
Oct	75.33	-0.07	75.40	74.80	46	1,264
Dec	75.43	+0.17	75.45	74.61	395	5,031
Total					14,843	61,224

■ ORANGE JUICE NYCE (15,000lbs; cents/lbs)

Nov	107.30	-4.95	112.00	107.50	701	3,833
Jan	99.60	-0.75	100.50	99.25	3,227	11,505
Mar	102.50	-0.80	103.40	102.35	1,419	5,770
May	105.05	-1.10	106.40	105.50	1,106	2,241
Jul	107.05	-1.60	107.80	107.80	46	629
Sep	109.05	-0.95	109.95	109.95	13	251
Total					5,853	22,068

VOLUME DATA
Open interest and Volume data shown for contracts traded on COMEX, NYMEX, CBT, NYCE, CME, CSCE and IPE Crude Oil are one day in arrears. Volume & Open interest totals are for all traded months.

INDICES

■ Reuters (Base: 18/9/31 = 100)

Nov 12	Nov 11	month ago	year ago
1857.8	1862.2	1875.5	2171.4

■ CRB Futures (Base: 1967 = 100)

Nov 11	Nov 8	month ago	year ago
240.64	239.72		

■ GSCI Spot (Base: 1970 = 100)

Nov 11	Nov 8	month ago	year ago
206.20	206.07	208.48	185.29

MEAT AND LIVESTOCK

■ LIVE CATTLE CME (40,000lbs; cents/lbs)

	Sett Price	Day's change	High	Low	Vol	Open int
Dec	67.675	+0.15	68.300	67.525	9,384	32,651
Feb	64.975	+0.45	65.150	64.500	3,726	21,284
Apr	66.325	+0.1	66.500	66.050	1,822	14,518
Jun	63.750	-0.1	64.050	63.550	506	5,928
Aug	63.075	-0.075	63.325	62.850	272	6,676
Oct	65.375	-0.2	65.700	65.300	303	3,888
Total					16,041	85,686

■ LIVE HOGS CME (40,000lbs; cents/lbs)

Dec	58.225	+0.3	58.450	57.300	5,921	11,922
Feb	76.775	-0.275	76.950	75.850	2,351	9,810
Apr	72.050	-0.4	72.500	71.500	493	3,830
Jun	75.300	-0.75	75.850	74.900	288	3,613
Jul	72.450	-0.95	73.000	72.250	171	1,169
Aug	69.400	-0.9	69.900	69.150	92	939
Total					9,325	31,933

■ PORK BELLIES CME (40,000lbs; cents/lbs)

Feb	74.100	+1.675	74.200	71.250	1,597	4,646
Mar	73.950	+1.975	74.000	71.000	107	535
May	74.800	+0.45	75.000	72.000	43	432
Jul	74.975	+0.075	74.650	71.900	40	333
Aug	73.000	+0.6	73.000	70.500	5	52
Total					1,766	5,998

LONDON TRADED OPTIONS

Strike price $ tonne — Calls — — Puts —

■ ALUMINIUM (99.7%) LME	Dec	Mar	Dec	Mar
1400	59	102	14	37
1500	12	51	67	84
1600	3	22	156	153
■ COPPER (Grade A) LME	Dec	Mar	Dec	Mar
2000	124	130	21	104
2100	62	87	58	159
2200	25	56	121	226
■ COFFEE LIFFE	Jan	Mar	Jan	Mar
1400	78	63	31	78
1450	49	43	52	106
1500	29	29	82	142
■ COCOA LIFFE	Dec	Mar	Dec	Mar
900	7	44	14	19
925	2	32	34	32
950	1	23	58	46
■ BRENT CRUDE IPE	Dec	Jan	Dec	Jan
2200	-	-	-	58
2250	-	72	-	-
2300	15	-	10	-

LONDON SPOT MARKETS

■ CRUDE OIL FOB (per barrel)

		+or-
Dubai	$20.70-0.81x	-0.200
Brent Blend (dated)	$22.36-2.39	-0.275
Brent Blend (Dec)	$22.83-2.86	-0.255
W.T.I.	$23.32-3.34x	-0.205

■ OIL PRODUCTS NWE prompt delivery CIF (tonne)

Premium Gasoline	$231-233	
Gas Oil	$219-220	-3
Heavy Fuel Oil	$112-114	
Naphtha	$222-225	
Jet fuel	$242-244	-1
Diesel	$225-227	-6

■ NATURAL GAS (Pence/therm)

Bacton (Dec)	14.90-5.10	+0.075

Petroleum Argus. Tel. London (0171) 359 8792

■ OTHER

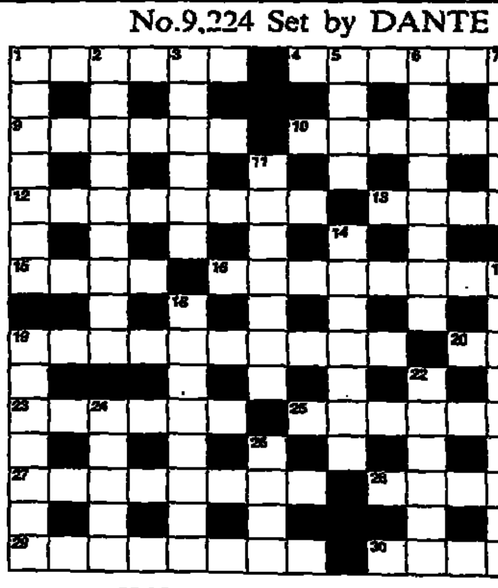
Gold (per troy oz)♣	$381.70	+0.85
Silver (per troy oz)♣	488.60c	-0.50
Platinum (per troy oz.)	$388.00	+2.00
Palladium (per troy oz.)	$118.25	+1.25
Copper	102.0c	
Lead (US prod.)	45.00c	
Tin (Kuala Lumpur)	14.69r	-0.01
Tin (New York)	274.50	
Cattle (live weight)	103.39p	+3.36*
Sheep (live weight)	139.35p	+12.83*
Pigs (live weight)†	90.23p	-0.78*
Lon. day sugar (raw)	$264.00	+0.40
Lon. day sugar (wte)	$312.70	+0.10
Barley (Eng. feed)	£100.4	
Maize (US No3 Yellow)	127.0	
Wheat (US Dark North)	Unq	
Rubber (Dec)♥	81.50p	+0.75
Rubber (Jan)♥	81.50p	+0.75
Rubber (KL RSS No1)	322.0z	+1.0
Coconut Oil (Phil)§	$788.0v	+15.0
Palm Oil (Malay.)§	555.0z	+4.5
Copra (Phil)§	$435.0z	
Soyabeans (US)	186.0z	-2.0
Cotton Outlook'A' Index	74.80	-0.40
Wooltops (64s Super)	386p	

£ per tonne unless otherwise stated. p pence/kg. c cents/lb. r ringgit/kg. m Malaysian cents/kg. x Dec. v Nov/Dec. z Nov. ♥ London Physical. § CIF Rotterdam. ♣ Bullion market close. * Change on week. †Based on 4,641 head of pigs sold.

JOTTER PAD

CROSSWORD

No.9,224 Set by DANTE



ACROSS
1 It may get broken – put it down (6)
4 Paper that's bought to be thrown away (8)
9 Take out a form (6)
10 *Staff on holiday* – hence delay (5,3)
12 What's missing in a fight is obscure (5,3)
13 Wagnerian heroine that is *about to be disposed of* (6)
15 Paper match (4)
16 Brats badly behaved should be removed (10)
19 Held in check, fell behind *the others* (10)
20 Sailing vessel with a professional second mate (4)
23 Willingly left member with account to pay finally (6)
25 Suggestive of European river ebbing fast (8)
27 What the driver needs on the whole is to be *sober* (8)
28 Absorbent soup or stew (6)
29 The end of the road for one who saw the light (8)
30 It's used for pounding with a mortar (6)

DOWN
1 *Half-cooked* scrap of food (7)
2 Drawing equipment arrives without a permit (9)
3 Don't follow suit (6)
5 It may be taken as an indication of loyalty (4)
6 Vast fire breaks out without a match (4,4)
7 Monster fish (5)
8 Silly place to play cricket (7)
11 Carton carrier? (7)
14 Wrested apart and scattered (7)
17 Got up and dressed (6,3)
18 My kind (8)
19 Right to be overjoyed when told (7)
21 Performer tires at appearing in variety (7)
22 "Moody" could describe Romeo's disposition (6)
24 Shine as a beginner in a new game (5)
26 Forbidden, but a doctor provides it (4)

Solution 9,223

FT MANAGED FUNDS SERVICE

Offshore Funds

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (+44 171) 873 4378 for more details.

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

[illegible]

BERMUDA (REGULATED)(**)

[illegible]

GUERNSEY (SIB RECOGNISED)

[illegible]

GUERNSEY (REGULATED)(**)

[illegible]

IRELAND (SIB RECOGNISED)

[illegible]

IRELAND (REGULATED)(**)

[illegible]

ISLE OF MAN (SIB RECOGNISED)

[illegible]

ISLE OF MAN (REGULATED)(**)

[illegible]

JERSEY (SIB RECOGNISED)

[illegible]

JERSEY (REGULATED)(**)

[illegible]

FT MANAGED FUNDS SERVICE

Offshore Funds and Insurances

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (+44 171) 873 4378 for more details.

LUXEMBOURG (SIB RECOGNISED)

ABN AMRO Funds (u)
4 Rue Jean Monet, L-2180 Luxembourg 352 424948320

	Init Chrge	Notes	Selling Price	Buying Price	+ or -	Yield Gr's
Latin America Equity			$48.34	48.07	—	-
North America Equity			$83.03	83.45	—	-
Asian Tigers Equity			$62.25	62.87	—	-
Europe Equity			$74.17	74.84	—	-
Germany Equity			[illegible]	135.57	—	-
Japan Equity			$48.28	48.77	—	-
Europe Bond			$61.32	61.47	—	-
US Bond			$58.49	58.58	—	-
Global Bond			$67.22	67.48	—	-
Germany Bond B			[illegible]	108.25	—	-
Spain Bond			[illegible]	10034	—	-
Eastern Europe Equity F			[illegible]	177.13	—	-
China Equity F			$95.12	95.62	—	-
Switzerland Equity			[illegible]	124.47	—	-

Abtrust Fund Mngrs Luxembourg SA (u)
4 Boulevard Royal L 2449 Luxembourg 00 352 227601

Fidelity Funds - Contd.

Country Select Funds

	Init Chrge	Notes	Selling Price	Buying Price	+ or -	Yield Gr's
ASEAN			$19.80		-0.09	-
Asian Special Situations			$10.83		-0.04	-
Australia			A$16.98		-0.02	1.26
Emerging Markets			$9.328		-0.018	-
European Sm Cos F			DM13.80		+0.07	-
France			[illegible]		+0.01	-
Germany			DM21.35		-0.02	-
Hong Kong			$51.02		+0.05	0.58
India			[illegible]		-1	-
Indonesia			$10.60		-0.04	-
Italy			L14258		-11	-
Japan Smlr Cos			Y1041		—	-
Korea F			$7.874		-0.129	-
Latin America			$8.478		+0.057	0.54
Malaysia			$34.38		-0.01	-
Nordic			SKr186.6		+0.8	-
Singapore			$24.82		+0.03	-
Switzerland			SFr15.08		+0.04	-
Thailand			$28.04		-0.38	-
United Kingdom			£1.128		—	-

Bond Funds

	Init Chrge	Notes	Selling Price	Buying Price	+ or -	Yield Gr's
European			Ecu11.10		+0.01	5.63
International			$1.068		+0.002	5.29

Mercury Asset Management S.A. - Contd.

	Init Chrge	Notes	Selling Price	Buying Price	+ or -	Yield Gr's
Global Equity			$88.85	73.38		
Emerging Markets			$11.88	12.17		
Gold & Mining			[illegible]	[illegible]		
Australian & New Zealand			$24.93	25.25		
Eastern European			[illegible]	40.17		
European			$40.76	42.91		
Japan			[illegible]	22.10		
Latin American			$9.18	9.67		
North American			$44.78	47.18		
Pacific			$19.30	20.33		
Singapore & Malaysian			$30.25	31.86		
United Kingdom			$40.78	42.95		
Asian Opps			$26.54	27.95		
European Opps			$33.49	35.24		
Global Opps			$11.15	11.75		
Japan Opps			$17.71	18.65		
North American Opps			$42.66	44.94		
United Kingdom Opps			$18.41	19.39		
DM Reserve			[illegible]	112.60		
Dollar Reserve			$105.95	105.97		
Sterling Reserve			£116.12	116.13		
Swiss Franc Reserve			[illegible]	107.09		

Mercury Offshore Stlg Tst

LUXEMBOURG (REGULATED)(**)

OFFSHORE INSURANCES

FT MANAGED FUNDS SERVICE

Offshore Insurances and Other Funds

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (+44 171) 873 4378 for more details.

	Selling Price	Buying Price	+ or -	Yield Gross
Global Asset Management - Contd.				
GAM Strategic				
Diversity Strategic A	122.10	—	—	—
Diversity Strategic B	119.85	—	—	—
European Strategic A	121.03	—	—	—
European Strategic B	116.58	—	—	—
Trading Strategic A	119.85	—	—	—
Trading Strategic B	118.19	—	—	—

	Selling Price	Buying Price	+ or -	Yield Gross
Jardine Fleming Unit Trusts Ltd - Contd.				
International Funds				
JF American Growth Tst.	$27.77	29.39	+0.09	—
JF Continental Euro Tst	$4.14	4.39	+0.02	—
JF European Tst	$17.17	18.17	+0.05	—
JF Germany Tst	DM11.89	12.58	+0.03	—
JF Global Bond & Currency Fd	$17.80	18.83	+0.01	6.6
JF Global Convertible Tst	$14.24	15.08	+0.03	—
JF Global Securities Tst	$23.57	24.95	-0.07	—
JF International Bond	$10.86	11.08	+0.02	—
JF Managed Currency Fd	$15.73	16.65	+0.02	—

OTHER OFFSHORE FUNDS

LONDON SHARE SERVICE

ALCOHOLIC BEVERAGES

[illegible]

BANKS, MERCHANT

[illegible]

BANKS, RETAIL

[illegible]

BREWERIES, PUBS & REST

[illegible]

BUILDING & CONSTRUCTION

[illegible]

BUILDING MATS. & MERCHANTS

[illegible]

CHEMICALS

[illegible]

CHEMICALS - Cont.

[illegible]

DISTRIBUTORS

[illegible]

DIVERSIFIED INDUSTRIALS

[illegible]

ELECTRICITY

[illegible]

ELECTRONIC & ELECTRICAL EQPT

[illegible]

ELECTRONIC & ELECTRICAL EQPT - Cont.

[illegible]

ENGINEERING

[illegible]

ENGINEERING - Cont.

[illegible]

ENGINEERING, VEHICLES

[illegible]

EXTRACTIVE INDUSTRIES

[illegible]

EXTRACTIVE INDUSTRIES - Cont.

[illegible]

FOOD PRODUCERS

[illegible]

FOOD PRODUCERS - Cont.

[illegible]

GAS DISTRIBUTION

[illegible]

HEALTH CARE

[illegible]

HOUSEHOLD GOODS

[illegible]

HOUSEHOLD GOODS - Cont.

[illegible]

INSURANCE

[illegible]

INVESTMENT TRUSTS

[illegible]

INVESTMENT TRUSTS - Cont.

[illegible]

INV TRUSTS SPLIT CAPITAL

[illegible]

INV TRUSTS SPLIT CAPITAL - Cont.

[illegible]

OTHER INVESTMENT TRUSTS

[illegible]

INVESTMENT COMPANIES

[illegible]

LEISURE & HOTELS

[illegible]

LIFE ASSURANCE

[illegible]

MEDIA

[illegible]

OIL EXPLORATION & PRODUCTION

[illegible]

OIL, INTEGRATED

[illegible]

OTHER FINANCIAL

[illegible]

PAPER, PACKAGING & PRINTING

[illegible]

PAPER, PACKAGING & PRINTING - Cont.

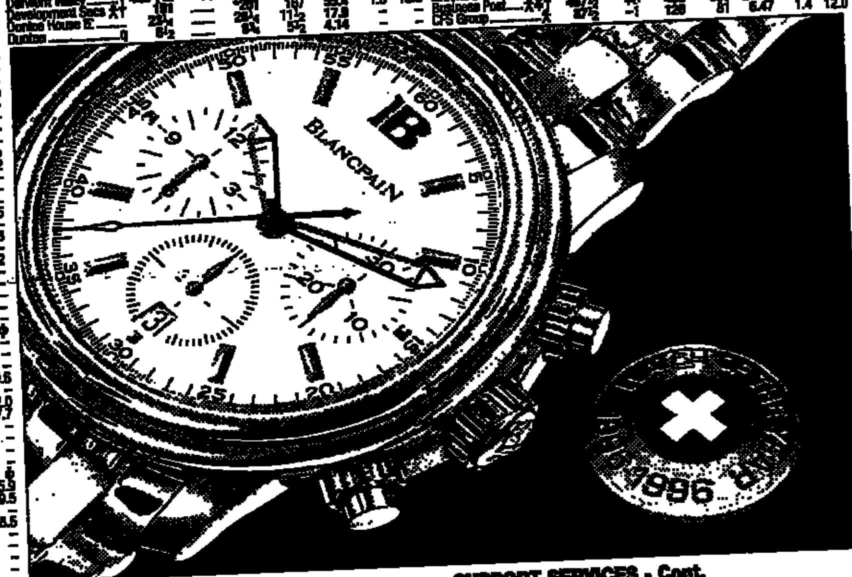
[illegible]

PHARMACEUTICALS

[illegible]

PROPERTY

[illegible]



PROPERTY - Cont.

[illegible]

RETAILERS, FOOD

[illegible]

RETAILERS, FOOD - Cont.

[illegible]

RETAILERS, GENERAL

[illegible]

SUPPORT SERVICES

[illegible]

SUPPORT SERVICES - Cont.

[illegible]

TELECOMMUNICATIONS

[illegible]

TEXTILES & APPAREL

[illegible]

TOBACCO

[illegible]

TRANSPORT

[illegible]

WATER

[illegible]

AIM

[illegible]

AIM - Cont.

[illegible]

AMERICANS

[illegible]

CANADIANS

[illegible]

SOUTH AFRICANS

	Notes	Price	+ or -	52 week high	low	Mkt Cap£m	Yld Gr's	P/E
Anglo Am Ind	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	1,646	3.5	♦
Barlow	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	2.2	–
Gold Flds Prop R		125½	----	170	120	12.8	6.2	10.7
MK Props		62	----	96	60	2.49	13.4	–
SASOL	♥	645	----	710	475	3,777	1.8	–
SA Brews		[illegible]	[illegible]	[illegible]	615	[illegible]	2.1	♦
Standard Bank		[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	1.6	20.5
Tiger Oats	†	780	----	1270	770	1,108	1.9	17.8
Tongaat-Hulett		[illegible]	[illegible]	1247	663	648.7	2.5	♦

GUIDE TO LONDON SHARE SERVICE

Prices for the London Share Service delivered by Extel, part of Financial Times Information.

Company classifications are based on those used for the FTSE Actuaries Share Indices.

Closing mid-prices are shown in pence unless otherwise stated. Highs and lows are based on intra-day mid-prices over a rolling 52 week period.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Symbols referring to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Market capitalisation shown is calculated separately for each line of stock quoted.

Earnings used in calculations are based on IIMR 'Headline Earnings' formula.

Price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures.

Yields are based on mid-prices, are gross, adjusted for a dividend tax credit of 20 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- * Highs and lows marked thus have been adjusted to allow for capital changes
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ♦ Figures or report awaited
- ♥ Rule 21(a)(iv) Overseas incorporated companies listed on an approved exchange.
- ♣ Free annual/interim report available, see details below.
- ✱ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Rule 4.2(a) Irish incorporated non-listed companies.
- § Price at time of suspension
- ¶ Indicated dividend yield after pending scrip and/or rights issue
- ♦ Merger bid or reorganisation in progress
- § Forecast dividend yield; p/e based on earnings updated by latest interim statement.
- ♠ Unregulated collective investment scheme.

a Yield based on annualised dividend
b Figures based on prospectus or other official estimates.
c Assumed dividend and yield
e Cover based on previous year's earnings.
g Dividend yield includes a special payment.
¶ Indicated dividend yield, p/e ratio based on latest annual earnings.
n Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings
z Dividend yield includes a special payment

F Yield based on prospectus or other official estimates for 1996-97.
G Assumed yield after pending scrip and/or rights issue.
H Yield based on prospectus or other official estimates for 1996.
L Estimated annualised yield, p/e based on latest annual earnings.
M Yield based on prospectus or other official estimates for 1995-96.
Q Dividend is paid in whole or part as a

FID (Foreign Income Dividend)
R Forecast annualised yield, p/e based on prospectus or other official estimates.

Abbreviations:
xd ex dividend;
xc ex scrip issue;
xr ex rights;
xa ex all;
xd ex capital distribution.

◆ This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1350 a year for each security shown, subject to the Editor's discretion

♣ FT Free Annual Reports Service

You can obtain the current annual/interim report of any company annotated with ♣. Please quote the code FT2585. Ring 0181 770 0770 (open 24 hours including weekends) or Fax 0181 770 3822. Reports will be sent the next working day, subject to availability.

✱ FT Company Focus / Focus Plus

Comprehensive 10-18 page report available on this company, containing key news stories from the last year, latest survey of City profit forecasts and investment recommendations, 5 year financial and share price performance review, balance sheet and profit and loss data, plus recent Stock Exchange announcements.
Company Focus (FT news) £8.45.
Focus Plus (FT and Investors Chronicle news) £10.95.
To order, call 0121 200 4678.
Reports published by ShareFinder Ltd.

FT Cityline

Up-to-the-second share prices are available by telephone from the FT Cityline service. See Monday's share price pages for details.
An international service is available for callers outside the UK, annual subscription £250 stg.
Call 0171 873 4378 for more information on FT Cityline.
For readers phoning from outside UK, please dial +44 in place of the first 0.
The share prices printed on these pages are also available on the Internet at http://www.FT.com.

LONDON STOCK EXCHANGE

Gilts strength improves sentiment in equities

MARKET REPORT

By Steve Thompson, UK Stock Market Editor

A much better feeling permeated the London stock market yesterday, with equities quietly building on the recovery over the previous two trading sessions.

The improvement in sentiment in equities came in the wake of renewed strength in gilts, which made further modest progress yesterday along with US Treasury bonds and German bunds.

Gilts ended with gains ranging from 4 to 7 ticks and never looked under any pressure. And, with the US market rallying to hit yet another intraday record after a rather indifferent opening, there were few alarms for UK stocks.

The only problem for London, according to dealers, was the lack of a really bullish domestic story.

"The top story in Europe came from Paris where the proposed Axa/UAP merger was the inspiration for some fevered activity. We need some of the same over here," said a top sales trader.

The big French insurance merger story did provoke interest in UK insurance stocks, one of the areas seen as ripe for more mergers and acquisitions. Good figures from General Accident, the first composite to report, also helped the sector, which provided three of the top ten performers in the FTSE 100 index.

Footsie climbed 19.9 to 3,934.3, a three-day gain of 33.9. The FTSE 250, meanwhile, regained the 4,400 level, and rose 9.0 to 4,404.8, but the SmallCap failed to attract any sizeable support, closing 0.1 off at 2,159.6.

Marketmakers bemoaned what they saw as a lack of real investment activity, but generally adopted a slightly more bullish attitude. "There was an increase in genuine customer buying interest today, but it felt as if the support reflected the availability of stock rather than an aggressive buying stance," said one marketmaker. Another said the mood among fund managers had improved after the recent shake-out and a move back towards 4,000 could be imminent.

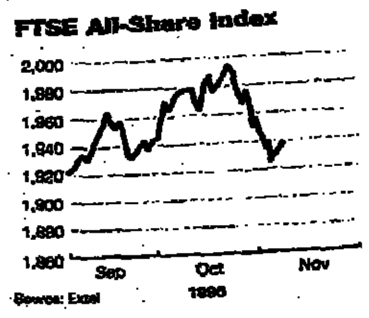
But they all agreed the forthcoming UK and US economic news would be crucial: "The last thing this market needs is for bad news on earnings and inflation in the UK and the same on inflation and retail sales in the US," said a marketmaker.

Footsie began the day in good shape, helped by yet another record close on Wall Street. With one or two hiccups, the equity market built on its initial position, closing only fractionally below the session high.

News that the Nationwide Building Society had hoisted its lending rates by 0.25 per cent was interpreted as signalling the end of the mortgage price war between the building societies and publicly quoted lenders such as Abbey National and Lloyds TSB. Allied Domecq shares retreated on confirmation that there will be no demerger.

Turnover at the 6pm count was 659.3m shares with non-FTSE 100 stocks accounting for just over 55 per cent of the total. Customer business on Monday, which was severely curtailed by the closure of the Paris and Brussels markets and by the limited turnover from the US, fell to a lowly £894.6m.

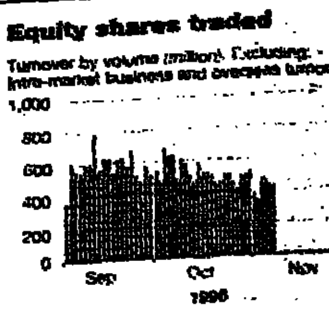
FTSE All-Share Index



Source: Extel

Equity shares traded

Turnover by volume (million). Excluding: intra-market business and overseas turnover



Indices and ratios

FTSE 100	3934.3	+19.9
FTSE 250	4404.8	+9.0
FTSE 350	1963.5	+8.6
FTSE All-Share	1938.79	+7.90
FTSE All-Share yield	3.85	3.85
FT 30	2775.3	+10.7
FTSE Non Fins p/e	17.74	17.72
FTSE100 Fut Dec	3942.0	+23.0
10 yr Gilt yield	7.60	7.61
Long gilt/equity yld ratio	2.05	2.05

Best performing sectors

1	Life Assurance	+2.0
2	Tobacco	+1.4
3	Health Care	+1.4
4	Insurance	+1.1
5	Oil Integrated	+0.8

Worst performing sectors

1	Extractive Industries	-1.4
2	Household Goods	-0.6
3	Paper, Pckg & Print	-0.5
4	Textiles & Apparel	-0.4
5	Diversified Industrials	-0.4

Mortgage boost for BoS

By Peter John and Joel Kibazo

Prospects of an end to the mortgage price war, combined with a recommendation from Goldman Sachs, helped Bank of Scotland yesterday.

Hard-pressed lenders would have been relieved by news that the Nationwide Building Society was increasing its mortgage rate by 25 basis points to 6.74 per cent. That may not have been the end of the competition, because the Nationwide still has very low rates compared with the Halifax and Abbey National, but it might have been the beginning of the end.

Also, Goldman Sachs highlighted the potential of Bank of Scotland's new 0 per cent mortgage, designed to allow the elderly to take advantage of the capital tied up in their homes. Analyst Mr David Townshend said that with £740bn of equity locked up in the housing market, the profit implications of releasing any of that equity were "material". He added: "It is an extremely good product with enormous potential."

Bank of Scotland is to hold an investor presentation this week to discuss its telebanking service. The shares lifted 1¼ to 277½p.

Electrical retailer Dixons Group was the toast of the market yesterday as favourable retail sales data and a broker upgrade drove the stock forward.

The shares jumped 18¼ to 566p, to make it the best performer among Footsie stocks. Dealers cited the publication of British Retail Consortium's October survey, which revealed an improvement in sales of electronic and electrical goods following a dip in September, as one reason for the sharp advance. Analysts suggested such figures point to a healthy Christmas trading period for Dixons.

Sentiment was further enhanced by reports that Cazenove, the group's broker, had upgraded profit expectations and was recommending the shares.

NatWest Securities, which last week upgraded its profits estimate, remains a fan of the stock and suggests investors buy the shares up to 600p. Mr John Richards, at the securities house, believes Dixons is at the forefront of consumer spending.

Takeover tension returned to the UK insurance sector on the back of news that Axa of France was making a FFr146.40 per share offer for UAP.

The classic target is traditionally perceived to be Guardian Royal Exchange, although one analyst said the French merger had now raised the stakes and left the big players looking vulnerable as well.

Consequently, General Accident was one of the main beneficiaries yesterday. The shares moved 11 higher to 718½p even though the group announced profits in line with the consensus forecast and down 11 per cent to £311m. However, the weakness masked a 23 per cent year-on-year rise in third-quarter operating profits to £117m, helped by a sharp increase in sales of personal pensions.

Also, Sun Life & Provincial improved 6¼ to 244½p on the argument that it will merge with Equity & Law. Sun Life is 60 per cent owned by UAP while Equity & Law is wholly owned by Axa. Meanwhile, GRE lifted 1¼ to 259½p and tightly traded Independent Insurance lifted 30 to 602½p.

Tobacco issues puffed higher on the back of a surprise fund management decision in the US.

College Retirement Equities Fund rejected a resolution urging it to sell any holdings connected to the tobacco industry. The move flies in the face of the current pressure in the US on tobacco stocks.

Imperial shares have fallen more than 17 per cent in the past month and the College news allowed them to recover 5⅛ to 364p. The company is not beset by US litigation concerns because it does not sell there. It is also seen as a possible takeover candidate. Imperial commented yesterday that it had received an offer in the past, but it was not sufficiently attractive. Meanwhile, hard-pressed BAT Industries – which does sell in the US – rose 6 to 426p. The shares were partly helped by the recent consolidation news within the insurance industry.

Mining giant RTZ fell 14 to 912½p after a press report that the world aluminium market could be heading for a slump at the turn of the century. The report warned that expanding smelter capacity was likely to push up stocks and hit prices.

Pearson, the media conglomerate which owns the Financial Times, rose 12¼ to 729½p as Henderson Crosthwaite increased its valuation of the stock from 900p a share to 970p.

The publication of favourable sales data and the prospect of bumper Christmas sales boosted other retail stocks. Kingfisher, whose Comet Group subsidiary is buying Norweb retail from United Utilities, hardened 4½ to 619½p, while United closed 9¾ ahead at 601p.

Marks and Spencer, whose figures disappointed the market last week, shrugged off the recent gloom to harden 3 to 487p. There was a two-way pull in Boots and the shares firmed to 611½p.

A decline in profits at spirits group Allied Domecq and confirmation that the company is not going to demerge its spirits and wine division from the retail operations left the shares trailing 14 to 454p.

Hotels and gaming company Ladbroke Group firmed 2 to 198p. Kleinwort Benson reiterated its positive stance on the stock.

Engineering group FKI gained 3¼ to 202p. The stock is among those favoured by broker Collins Stewart. It is included in a sector review entitled "Cyclical and Relative Strength Index Revisited". Analyst Mr Mustapha Omar said: "FKI's spread of businesses means that it is expected to experience minimal political interference in the wake of a Labour election victory."

Electronic components and systems supplier Eurodis Electron tumbled 15¼ to 138½p after the group warned that first-half figures would be below market expectations. A profits warning from Macfarlane, the paper and packaging group, sent the shares down 28½ to 169p.

Wine bar chain Yates Brothers was heavily traded as Panmure Gordon placed almost 2m shares at 385p each to raise £7.5m for the company. The cash will be used for expansion. The underlying shares rose a penny to 392½p.

East Midlands Electricity rose 7¼ to 611p ahead of news that it is to hold talks with potential bidder Dominion Resources of the US.

Oil group British Borneo slid 18¾ to 612½p after what one marketmaker described as "a badly handled selling order".

FT 30 INDEX

	Nov 12	Nov 11	Nov 8	Nov 7	Nov 6	Yr ago	*High	*Low
FT 30	2775.3	2764.6	2763.9	2761.8	2786.7	2604.2	2885.2	2668.8
Ord. div. yield	4.10	4.13	4.14	4.14	4.10	4.11	4.22	3.76
P/E ratio net	16.81	16.70	16.67	16.68	16.82	15.69	17.46	15.80
P/E ratio nil	16.65	16.54	16.51	16.52	16.66	15.50	17.30	15.71

FT 30 since compilation: high 2885.2 19/04/96; low 49.4 26/06/40. Base Date: 1/7/35.

FT 30 hourly changes

Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.00	High	Low
2768.5	2769.2	2776.3	2773.7	2769.9	2769.4	2772.4	2772.9	2774.3	2777.1	2768.2

	Nov 12	Nov 11	Nov 8	Nov 7	Nov 6	Yr ago
SEAQ bargains	34,544	35,618	35,779	38,308	39,163	29,972
Equity turnover (£m)†	–	824.6	1438.7	1254.2	1357.4	1625.3
Equity bargains†	–	23,862	24,967	25,593	26,973	35,125
Shares traded (ml)†	–	305.4	428.7	435.9	452.6	667.4

†Excluding intra-market business and overseas turnover.

	Nov 12	Nov 11	Nov 8	Nov 7	Nov 6	Yr ago	*High	*Low
FTSE AIM	1024.20	1023.70	1020.90	1019.70	1028.40	–	1140.40	965.70

© FTSE International Limited 1996. All rights reserved. *For 1996.

■ London market data

Rises and falls*		52 Week highs and lows		LIFFE Equity options	
Total Rises	607	Total Highs	63	Total contracts	50,917
Total Falls	560	Total Lows	45	Calls	23,820
Same	1,428			Puts	27,097

Nov 12 *Data based on Equity shares listed on the London Share Service.

FUTURES AND OPTIONS

■ FTSE 100 INDEX FUTURES (LIFFE) £25 per full index point (APT)

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	3932.0	3942.0	+20.0	3950.0	3928.0	11331	57113
Mar	3957.0	3957.5	+20.0	3960.0	3957.0	133	3845
Jun		3973.0	+20.0			0	1780

■ FTSE 250 INDEX FUTURES (LIFFE) £10 per full index point

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec		4430.0	+8.0			0	4193

■ FTSE 100 INDEX OPTION (LIFFE) (3932) £10 per full index point

	3750		3800		3850		3900		3950		4000		4050		4100	
	C	P	C	P	C	P	C	P	C	P	C	P	C	P	C	P
Nov	[illegible]															
Dec	[illegible]															
Jan	[illegible]															
Feb	[illegible]															
Jun†	[illegible]															

Calls 5,160 Puts 12,415

■ EURO STYLE FTSE 100 INDEX OPTION (LIFFE) £10 per full index point

	3775		3825		3875		3925		3975		4025		4075		4125	
Nov	[illegible]															
Dec	[illegible]															
Jan	[illegible]															
Mar	[illegible]															
Jun†	[illegible]															

Calls 8,009 Puts 8,562 * Underlying index value. Premiums shown are based on settlement prices. † Long dated expiry months.

LONDON RECENT ISSUES: EQUITIES

Issue price p	Amt paid up	Mkt. cap (£m.)	1996 High	1996 Low	Stock	Close price p	+/-	Net div.	Div. cov.	Grs yld	P/E net
[illegible]											

† Alternative Investment Market. § Placing price. * Introduction. For a full explanation of all other symbols please refer to The London Share Service notes.

FT GOLD MINES INDEX

	Nov 11	% chg on day	Nov 8	Year ago	Gross div yield %	P/E ratio	52 week High	52 week Low
Gold Mines Index (31)	1902.40	+1.3	1878.22	1928.47	1.38	–	[illegible]	[illegible]
■ Regional Indices								
Africa (13)	[illegible]	+0.1	[illegible]	[illegible]	3.20	[illegible]	[illegible]	[illegible]
Australasia (6)	2064.32	+0.2	2061.02	2290.27	2.70	28.69	2927.34	2005.75
North America (12)	1741.73	+2.0	1708.00	1667.18	0.74	65.58	2186.39	1596.75

Copyright, FTSE International Limited 1996. All rights reserved. Figures in brackets show number of companies. Basis US Dollars. Base Value: 1000.00 31/12/92. † Partial. CONSTITUENT CHANGE WITH EFFECT 18/11/96: Addition: Evander Gold Mines (Africa). Latest prices were unavailable for this edition.

FTSE Actuaries Share Indices — The UK Series

Produced in conjunction with the Faculty and Institute of Actuaries

	Nov 12	Day's chge%	Nov 11	Nov 8	Nov 7	Year ago	Div. yield%	Net cover	P/E ratio	Xd adj. ytd	Total Return
FTSE 100	3934.3	+0.5	3914.4	3910.8	3900.4	3547.9	4.01	2.04	15.29	157.57	1639.32
FTSE 250	4404.8	+0.2	4395.8	4395.6	4394.3	3905.3	3.55	1.49	23.60	159.94	1798.50
FTSE 250 ex IT	4444.5	+0.2	4435.9	4435.6	4435.2	3927.7	3.64	1.52	22.62	167.93	1816.65
FTSE 350	1963.5	+0.4	1954.9	1953.4	1949.2	1764.3	3.91	1.93	16.56	77.10	1671.19
FTSE 350 Higher Yield	1869.4	+0.3	1862.9	1862.8	1860.6	1755.3	5.21	1.61	13.25	97.33	1340.10
FTSE 350 Lower Yield	2064.8	+0.5	2053.9	2051.2	2044.9	1778.1	2.74	2.14	21.30	57.40	1446.65
FTSE SmallCap	2159.64	....	2159.58	2158.84	2159.91	1936.52	3.15	1.58	25.10	62.19	1797.17
FTSE SmallCap ex IT	2161.59	....	2162.12	2160.89	2162.91	1922.64	3.35	1.65	22.59	66.16	1811.97
FTSE All-Share	1938.79	+0.4	1930.89	1929.51	1925.79	1741.55	3.85	1.91	16.99	74.59	1675.19

■ FTSE Actuaries Industry Sectors

	Nov 12	Day's chge%	Nov 11	Nov 8	Nov 7	Year ago	Div. yield%	Net cover	P/E ratio	Xd adj. ytd	Total Return
10 MINERAL EXTRACTION(24)	3773.17	+0.5	3755.02	3712.89	3672.50	2952.91	3.77	1.71	19.39	142.73	1853.84
12 Extractive Industries(6)	3968.10	-1.4	4022.62	4000.71	4001.66	4120.75	4.09	2.66	11.49	162.00	1182.69
15 Oil, Integrated(3)	3922.95	+0.8	3890.66	3839.50	3790.22	2952.19	3.93	1.55	20.48	154.36	1766.85
18 Oil Exploration & Prod(15)	2775.61	....	2774.94	2769.36	2743.08	1896.52	1.87	1.71	39.24	52.83	1682.37
20 GEN INDUSTRIALS(275)	2002.42	+0.1	2001.15	2000.37	2002.54	1945.58	4.27	1.67	17.52	76.63	1115.63
21 Building & Construction(34)	1190.67	-0.2	1192.75	1193.76	1190.54	960.51	3.55	1.47	23.99	39.06	1014.16
22 Building Matls & Merchs(29)	1856.32	+0.2	1852.04	1844.68	1852.08	1699.13	4.16	1.40	21.41	74.81	957.77
23 Chemicals(25)	2398.41	+0.8	2380.29	2370.54	2378.51	2365.54	4.23	1.45	20.41	88.14	1156.13
24 Diversified Industrials(19)	1403.01	-0.4	1408.08	1422.63	1420.52	1775.26	7.22	1.61	10.78	89.41	808.87
25 Electronic & Elect Equip(36)	2278.47	-0.3	2286.05	2261.50	2276.91	2129.57	3.44	1.48	24.57	64.15	1201.60
26 Engineering(71)	2600.46	+0.3	2592.72	2591.92	2588.37	2143.66	3.15	2.26	17.60	72.59	1603.00
27 Engineering, Vehicles(14)	3183.13	+0.2	3175.66	3195.00	3204.26	2555.26	3.39	1.72	21.47	102.59	1679.90
28 Paper, Pckg & Printing(26)	2543.53	-0.5	2555.74	2553.85	2546.16	2773.14	4.06	1.84	16.73	92.21	1079.77
29 Textiles & Apparel(19)	1145.82	-0.4	1150.51	1151.19	1152.48	1480.32	6.23	1.17	17.20	53.39	713.89
30 CONSUMER GOODS(92)	3699.03	+0.6	3676.21	3666.21	3651.89	3462.46	3.92	1.94	16.47	132.90	1393.59
32 Alcoholic Beverages(8)	2720.43	+0.4	2710.51	2716.21	2696.58	2831.33	4.67	1.70	15.74	104.19	898.19
33 Food Producers(25)	2611.26	+0.7	2593.89	2577.31	2525.04	2476.06	4.17	1.79	16.70	88.73	1199.48
34 Household Goods(15)	2711.47	-0.6	2728.76	2701.89	2673.92	2516.87	3.77	2.25	14.76	101.22	1057.78
36 Health Care(18)	1941.22	+1.4	1915.18	1912.48	1932.11	1829.44	3.08	1.99	20.40	54.40	1197.04
37 Pharmaceuticals(14)	5722.06	+0.5	5691.13	5676.71	5685.14	4797.57	2.99	2.01	20.78	172.19	1977.22
38 Tobacco(2)	3594.40	+1.4	3543.31	3555.69	3551.48	4523.45	7.21	2.13	8.14	262.07	925.62
40 SERVICES(253)	2555.26	+0.4	2544.72	2545.75	2544.88	2148.57	2.93	1.98	21.60	75.90	1350.25
41 Distributors(30)	2887.26	-0.1	2890.56	2892.01	2882.51	2621.07	2.98	2.02	20.74	80.00	1081.26
42 Leisure & Hotels(25)	3172.79	+0.4	3160.59	3159.80	3146.16	2421.20	2.76	2.03	22.37	173.08	1725.41
43 Media(45)	4266.77	+0.8	4233.57	4236.24	4245.06	3430.77	2.15	2.07	28.12	92.04	1561.76
44 Retailers, Food(14)	1976.34	-0.3	1982.01	1989.54	1973.57	1937.40	3.97	2.31	13.63	70.37	1282.28
45 Retailers, General(45)	2075.28	+0.6	2062.46	2062.23	2068.19	1810.42	3.15	2.09	18.97	69.64	1209.40
47 Breweries, Pubs & Rest.(21)	3100.83	+0.3	3091.64	3101.26	3109.67	2684.63	3.36	2.00	18.64	68.29	1503.59
48 Support Services(50)	2604.36	+0.4	2593.89	2586.59	2595.90	1835.95	1.90	2.23	29.51	48.36	1672.73
49 Transport(23)	2559.03	+0.1	2555.55	2551.43	2535.58	2169.96	3.74	1.18	28.28	82.36	1087.36
60 UTILITIES(33)	2361.27	+0.1	2359.46	2367.35	2363.10	2490.40	5.49	1.75	13.02	168.88	1056.21
62 Electricity(12)	2531.44	+0.6	2515.52	2518.66	2511.16	2858.11	6.50	2.21	8.68	429.17	1370.76
64 Gas Distribution(2)	1304.55	-0.2	1307.75	1298.15	1282.15	1626.88	9.19	0.83	16.33	119.71	713.81
66 Telecommunications(8)	1995.53	-0.2	1999.87	2011.61	2017.39	2031.08	4.04	1.51	20.49	50.32	926.89
68 Water(11)	2218.65	+0.3	2211.86	2223.26	2202.97	2064.37	6.30	2.29	8.65	103.62	1259.89
69 NON-FINANCIALS(667)	2027.10	+0.3	2020.10	2017.27	2012.42	1844.47	3.87	1.82	17.74	79.81	1572.69
70 FINANCIALS(103)	3271.88	+0.7	3248.85	3265.54	3256.00	2755.95	4.06	2.36	13.04	124.39	1440.94
71 Banks, Retail(8)	4686.14	+0.5	4665.43	4686.50	4680.85	3901.67	3.67	2.71	11.90	175.96	1567.26
72 Banks, Merchant(6)	3702.00	+0.1	3696.72	3699.87	3702.85	3534.68	2.81	2.81	15.82	95.60	1191.70
73 Insurance(21)	1548.35	+1.1	1531.80	1531.88	1541.46	1345.66	5.43	2.28	10.11	79.70	1198.80
74 Life Assurance(7)	3790.97	+2.0	3716.81	3705.94	3711.72	3213.45	4.10	1.78	17.08	151.01	1611.78
77 Other Financial(20)	2718.61	+0.7	2695.55	2698.71	2701.74	2394.84	4.03	1.79	17.33	88.27	1573.68
79 Property(41)	1662.22	+0.4	1655.24	1647.72	1646.00	1369.48	3.56	1.27	25.56	49.57	1041.07
80 INVESTMENT TRUSTS(126)	3137.24	+0.2	3129.51	3129.69	3123.40	2909.51	2.27	1.12	49.41	62.38	1107.32
89 FTSE All-Share(896)	1938.79	+0.4	1930.89	1929.51	1925.79	1741.55	3.85	1.91	16.99	74.59	1675.19
FTSE Fledgling	1215.02	-0.1	1215.67	1215.76	1217.99	1069.24	2.85	0.65	68.00	31.46	1288.20
FTSE Fledgling ex IT	1227.77	-0.1	1228.59	1228.36	1231.43	1091.95	3.04	0.56	72.85	34.38	1303.55

■ Hourly movements

	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	High/day	Low/day
FTSE 100	3921.8	3921.6	3932.9	3931.0	3926.9	3927.0	3930.3	3928.7	3932.4	3934.6	3920.4
FTSE 250	4399.1	4399.4	4401.6	4401.6	4401.5	4401.1	4402.0	4403.0	4403.9	4404.9	4398.9
FTSE 350	1958.1	1958.0	1962.6	1961.9	1960.3	1960.3	1961.7	1961.5	1962.7	1963.5	1957.5

Time of FTSE 100 Day's high: 9:46 AM Day's low: 8:54 AM. FTSE 100 1996 High: 4073.1 (21/10/96) Low: 3632.3 (16/07/96).

■ FTSE 350 Industry baskets

	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	Close	Previous	Change
Bldg & Cnstrcn	1163.1	1163.8	1163.1	1163.1	1162.7	1162.2	1162.2	1162.7	1162.8	1162.3	1164.2	-1.9
Pharmaceuticls	5614.3	5619.7	5633.3	5628.0	5632.4	5633.7	5639.5	5635.9	5648.9	5648.9	5618.0	+30.9
Water	2189.9	2194.2	2200.3	2199.8	2198.1	2200.0	2201.0	2201.9	2204.8	2205.3	2198.3	+7.0
Banks, Retail	4729.2	4721.9	4739.8	4737.1	4739.0	4731.9	4736.0	4735.8	4747.1	4748.0	4725.0	+23.0

For further information on the FTSE Actuaries Share Indices please contact FTSE International on 0171 448 1810. The FTSE Actuaries Share Indices are calculated in accordance with a standard set of ground rules established by FTSE International in conjunction with the Faculty of Actuaries and the Institute of Actuaries. © FTSE International Limited 1996. All Rights reserved. "FT-SE" and "Footsie" are trade marks of the London Stock Exchange and The Financial Times and are used by FTSE International under licence. † Sector P/E ratios greater than 80 and net covers greater than 30 are not shown. ‡ Values are negative.

FTSE INTERNATIONAL

TRADING VOLUME

■ Major Stocks Yesterday

	Vol. 000s	Closing price	Day's change
[illegible]			

Based on trading volume for a selection of major securities dealt through the SEAQ system yesterday until 4.30pm. † Indicates an FTSE 100 index constituent. All trading are rounded. Source: Extel, part of FT Information.

WORLD STOCK MARKETS

Highs & Lows shown on a 52 week basis

EUROPE

AUSTRIA (Nov 12 / Sch)

BELGIUM/LUXEMBOURG (Nov 12 / Frs.)

CZECH REP (Nov 12 / Koruna)

DENMARK (Nov 12 / Kr)

FINLAND (Nov 12 / Mks)

FRANCE (Nov 12 / Frs.)

GERMANY (Nov 12 / Dm.)

GREECE (Nov 12 / Drachma)

ITALY (Nov 12 / Lira)

NETHERLANDS (Nov 12 / Fls.)

NORWAY (Nov 12 / Kroner)

POLAND (Nov 12 / Zloty)

PORTUGAL (Nov 12 / Escudo)

SPAIN (Nov 12 / Pts.)

SWEDEN (Nov 12 / Kronor)

SWITZERLAND (Nov 12 / Frs.)

TURKEY (Nov 12 / TK Lira)

PACIFIC

JAPAN (Nov 12 / Yen)

AUSTRALIA (Nov 12 / Aust$)

HONG KONG (Nov 12 / H.K.$)

INDONESIA (Nov 12 / Rupiah)

MALAYSIA (Nov 12 / MYR)

NEW ZEALAND (Nov 12 / NZ $)

SINGAPORE (Nov 12 / S$)

SOUTH KOREA (Nov 12 / Won)

TAIWAN (Nov 11 / TW $)

THAILAND (Nov 12 / Baht)

AFRICA

SOUTH AFRICA (Nov 12 / Rand)

NORTH AMERICA

CANADA

TORONTO (Nov 12 / Can $)
4 pm close

MONTREAL (Nov 12 / Can $)
4 pm close

INDICES

	Nov 12	Nov 11	Nov 8	1996 High		1996 Low	
Hong Kong Hang Seng(31/7/64)	12808.31	12771.86	12751.16				
India BSE Sens.(1979)	(c)	(c)	(c)	4069.26	18/6	2828.08	25/1
Indonesia Jakarta Comp.(10/8/82)	597.05	601.13	602.02	650.21	24/4	512.46	2/1
Ireland ISEQ Overall(4/1/88)	2672.60	2677.75	2681.74	2700.94	4/10	2234.61	2/1
Italy Banca Comm Ital(1972)	632.49	622.57	628.28	674.10	20/5	572.21	27/8
MIB General(2/1/95)	1073.0	1056.0	1065.0	1142.00	20/5	970.00	27/3
Japan Nikkei 225(16/5/49)	21206.43	21065.08	21301.04	22666.80	26/6	19734.70	13/3
Nikkei 300(1/10/82)	295.90	295.06	295.94	319.70	26/6	284.48	11/3
Thailand Bangkok SET(30/4/75)	953.68	947.28	967.80	1415.04	8/2	906.34	15/10
Turkey Istanbul Comp.(Jan 1986)	83723.0	84692.2	83828.5	84692.20	11/11	38779.30	2/1
WORLD MS Capital Intl(1/1/70)	817.0*	816.1	814.9	817.00	12/11	725.90	15/1
CROSS-BORDER Eurotrack 100(26/10/90)	1793.89	1786.58	1787.53	1793.89	12/11	1504.40	11/1
Euro Top-100(26/6/90)	1512.86	1501.81	1504.19	1512.86	12/11	1333.81	11/1
HSBC JC Dvgs(31/12/88)	(u)	398.26	398.24	399.28	11/11	344.19	2/1
MS Emgs Europ(7/1/92)	158.39	157.82	158.16	165.81	4/7	147.35	2/1

US INDICES

Dow Jones	Nov 11	Nov 8	Nov 7	1996 High	1996 Low	Since compilation High	Since compilation Low
Industrials	6255.60	6219.82	6206.04	6255.60 (11/11)	5032.94 (10/1)	6255.60 (11/11/96)	41.22 (8/7/32)
Home Bonds	103.49	103.82	103.43	106.09 (14/2)	100.99 (15/7)	109.77 (18/10/93)	54.99 (1/10/81)
Transport	2198.89	2183.69	2179.40	2296.28 (22/5)	1882.71 (18/1)	2296.20 (22/5/96)	13.23 (8/7/32)
Utilities	234.77	234.77	235.68	235.88 (7/11)	204.86 (30/7)	256.46 (31/8/93)	10.53 (8/7/32)

DJ Ind. Day's high 6292.87 (6247.40) Low 6196.58 (6151.82) (Theoretical♦)
Day's high 6261.94 (6222.08) Low 6221.89 (6181.07) (Actual♦)

Standard and Poors	Nov 11	Nov 8	Nov 7	1996 High	1996 Low	Since compilation High	Since compilation Low
Composite‡	731.87	730.82	727.65	731.87 (11/11)	598.48 (10/1)	731.87 (11/11/96)	4.40 (1/6/32)
Industrials♥	860.06	858.10	853.71	860.06 (11/11)	702.07 (15/1)	860.06 (11/11/96)	3.52 (30/6/32)
Financial	79.85	80.09	78.88	80.09 (8/11)	58.67 (10/1)	80.09 (8/11/96)	7.13 (4/9/74)
NYSE Comp.	386.83	388.32	384.91	386.83 (11/11)	321.41 (10/1)	386.83 (11/11/96)	4.64 (25/4/42)
Amex Mkt Val	579.73	580.39	579.25	614.99 (22/5)	525.80 (18/7)	614.99 (22/5/96)	29.13 (9/12/74)
NASDAQ Cmp	1262.67	1257.51	1254.14	1262.67 (11/11)	988.57 (15/1)	1262.67 (11/11/96)	54.87 (3/10/74)

■ RATIOS

	Nov 8	Nov 1	Oct 25	Year ago
Dow Jones Ind. Div. Yield	2.09	2.15	2.15	2.39
	Nov 6	Oct 30	Oct 23	Year ago
S & P Ind. Div. yield	1.89	1.95	1.92	2.04
S & P Ind. P/E ratio	23.58	22.60	23.15	18.23

■ NEW YORK ACTIVE STOCKS

Monday	Stocks traded	Close price	Change on day
Micron Tch	5,877,900	31⅞	+1⅞
PHH	5,681,300	47¾	+17
AT & T	5,582,300	37⅛	+1⅛
Pepsico	3,819,600	31⅝	-⅛
Westinghs	3,680,100	20	+¼
Motorola	3,262,400	50	+1½
K-Mart	3,085,900	9¾	-⅛
Xerox	2,954,300	45¼	----
Bergen Brn	2,762,200	27⅝	-5⅞
Compaq	2,593,700	76¼	+1¾

■ TRADING ACTIVITY

● Volume (million)

	Nov 11	Nov 8	Nov 7
New York SE	353.959	405.047	504.515
Amex	20.258	21.742	23.673
NASDAQ	444.303	554.307	589.342
NYSE			
Issues Traded	3,261	3,277	3,277
Rises	1,402	1,302	1,400
Falls	1,001	1,080	1,058
Unchanged	858	895	819
New Highs	233	217	242
New Lows	31	38	40

INDEX FUTURES

	Open	Sett Price	Change	High	Low	Est. vol.	Open Int.
■ CAC-40 (200 x Index)							
Nov	2214.0	2243.0	+34.0	2246.0	2203.0	17,359	20,904
Dec	2219.0	2249.0	+34.0	2250.0	2209.0	690	20,262
■ DAX							
Dec	2739.0	2770.0	+30.0	2774.0	2735.5	23,357	-
Mar	2759.0	2788.5	+31.5	2791.0	2756.0	1,076	-
■ OMX							
Nov	1690.00	1700.00	+16.00	1700.00	1690.25	4,911	28,399
Dec	1699.50	1703.50	+13.25	1703.50	1699.75	2,478	3,764
■ SOFFEX							
Nov	3836.0	3829.0	-1.00	3845.0	3827.0	8,585	16,837
Dec	3839.0	3832.0	-0.50	3848.0	3831.5	5,098	10,016

■ S&P 500	Open	Latest	Change	High	Low	Est. vol.	Open Int.
Dec	734.10	732.70	-1.40	736.20	732.70	35,105	187,911
Mar	742.10	739.80	-0.85	742.15	739.80	529	8,263

■ Nikkei 225	Open	Sett price	Change	High	Low	Est. vol.	Open Int.
Dec	21210.0	21200.0	+100.0	21300.0	21180.0	18,491	215,063
Mar	21150.0	21260.0	+120.0	21330.0	21150.0	444	16,724

Open Interest figures for previous day.

* Sat Nov 9: Taiwan Weighted Price 6583.08; Korea Comp Ex 730.82. Base values of all indices are 100 except Australia All Ordinary and Mining – 500; Austria Traded, BEL20, HEX Gen., MIB Gen., BVL30, SBF250, CAC40, Euro Top-100, ISEQ Overall, Toronto Comp./Metals & Minerals and DAX – all 1,000; JSE Gold – 255.7; JSE 20 Industrials – 264.3; NYSE All Common – 50 and Standard and Poor's – 10. §§ Montreal. ♦ Toronto. (c) Closed. (u) Unavailable. ‡ IBIS/DAX after-hours Index: Nov 12 - 2764.30 +33.86 † Correction. * Calculated at 15.00 GMT. ● Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. ♦ The DJ Indl. index theoretical day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock; whereas the actual day's highs and lows (supplied by Telekurs) represent the highest and lowest values that the index has reached during the day. (The figures in brackets are previous day's). ♥ Subject to official recalculation.

■ TOKYO - MOST ACTIVE STOCKS: Tuesday, November 12, 1996

	Stocks Traded	Closing Prices	Change on day
Green Cross Corp	9.8m	585	+56
Nippon Steel Corp	7.9m	342	+5
NEC Corp	7.6m	1320	+20
Toshiba Corp	4.2m	743	+11
Hitachi	3.8m	1040	-10
Sumitomo Mtl Ind	3.8m	315	-1
Nichiboshin	2.8m	496	+1
Nichiei	2.8m	369	+28
Tokio M & F Ins	2.6m	1300	+10
Fujitsu	2.6m	1030	+10

Prices supplied by Telekurs

NOTES – Prices on this page are as quoted on the individual exchanges and are mostly last traded prices. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all. † Priced in US $. Due to technical problems at Telekurs some European prices may be pre-close and some South African prices unavailable.

♣ FT Free Annual Reports Service
You can obtain the current annual reports of any companies on this page with a ♣ symbol. For North American companies you can either ring +1 804 320 8097, or fax your request to +1 804 320 8135 or order online at http://www.icbinc.com/cgi-bin/ftannualreports. For companies from ALL other countries ring 0181 770 0770 or fax your request to 0181 770 3822 (outside UK ring +44 181 770 0770 or fax your request to +44 181 770 3822).

4 pm close November 12

NEW YORK STOCK EXCHANGE PRICES

- A -

- B -

- C -

- D -

- E -

- F -

- G -

- H -

- I -

- J -

- K -

- L -

- M -

- N -

- O -

- P - Q -

- R -

- S -

Continued on next page

NYSE PRICES

4 pm close November 12

Continued from previous page

[illegible]

Price data supplied by Telekurs

Yearly highs and lows for NYSE reflect the period from Jan 1 1996. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration. Sales figures are unofficial.

a-new yearly low. P/E price-earnings ratio. sls-sales. u-new yearly high. x-ex-dividend or ex-rights. yld-yield. z-sales in full.

§ Dealings suspended.

♣ FT Free Annual Reports Service

You can obtain the current annual reports and if available quarterly reports of any companies on the US exchanges with a ♣ symbol. To order reports ring (International Access) 1-804-320-8097 or give the names of the companies whose reports you want and fax your request to (International Access) 1-804-320-6185. Reports will be sent the next working day, subject to availability. You can also order online at http://www.icbinc.com/cgi-bin/financialtimes.

AMEX PRICES

4 pm close November 12

[illegible]

NASDAQ NATIONAL MARKET

4 pm close November 12

[illegible]

Technology boost for US shares

AMERICAS

US shares continued on their record-breaking way as signs of strength in the semiconductor industry helped lift the technology sector, *writes Lisa Bransten in New York.*

The technology-rich Nasdaq composite initially jumped nearly 6 points as investors reacted to the news, released late on Monday, that the Semiconductor Industry Association's key measure of demand rose to its highest level of the year in October. By early afternoon, the Nasdaq was up 4.01 at 1,266.68 on course to pass Monday's record.

The Dow Jones Industrial Average also traded above Monday's record levels with a gain of 7.46 at 6,263.06 by 1pm. Meanwhile, the Standard & Poor's 500 slipped 0.13 at 731.74 and the American Stock Exchange composite added 1.33 at 580.96. NYSE volume was 265m shares.

Motorola was among the biggest gainers on the SIA report. In early trading, shares in the semiconductor *and cellular communications* company were $2⅞ stronger at $52⅞.

Gains in other semiconductor companies that have already seen their shares soar this month were more restrained. *Intel,* which had risen 13 per cent in November, was up $⅞ at $124⅞ yesterday.

Westinghouse added $1⅛, *or 6 per cent, at $21⅞ on expectations that the board* would vote at yesterday's meeting to spin off its industrial businesses into a new publicly traded company. Including yesterday's early gains, the shares have moved up more than 23 per cent this month bringing *them to a 52-week high by* midday yesterday.

Shares in Marvel Entertainment Group slid $2, or 43 per cent, to $2⅝ as the company announced that it expected sharp losses in the *fourth quarter and that it* was running out of cash. The company yesterday reported an operating loss of 24 cents a share, 1 cent less than most analysts had expected.

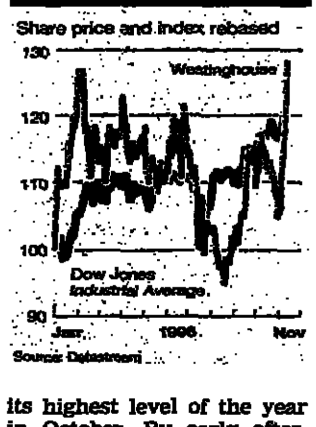
Sunbeam shares slipped $⅛ at $25⅛. Mr Al Dunlap, the company's chief executive, best-known as "Chainsaw Al" for his cost-cutting ways, announced his plans to restructure the company. Shares in the troubled company have more than doubled since Mr Dunlap took the helm in mid-July.

Several retailers moved on earnings reports. Wal-Mart, the largest retailer in the US, lost $1⅛, or 5 per cent, at $25⅛ as the company missed analysts' earnings estimates of 31 cents a share by a penny. Home Depot slipped $2⅝, or 5 per cent, to $54, on earnings that were in line with estimates.

TORONTO traded narrowly throughout a morning session marked by low volumes. At noon, the TSE-300 composite index was showing little change at 5,801.00, *down 1.42 in hefty volume of* 50.9m shares.

The index components reflected the mixed start to the day with winners and losers divided evenly between the 14 sub-groups. *Real estate and banking* were both off 1.7 per cent.

Westinghouse



Insurance merger propels Paris higher

EUROPE

A number of European bourses resumed their record-setting ways yesterday. And in PARIS news of the big insurance deal between Axa and UAP pushed the market smartly ahead and sparked plenty of action elsewhere in the financial sectors.

After months of persistent and sometimes rampant speculation, UAP and Axa finally came clean and announced plans to join forces. Shares in the two groups were suspended for the day which left the spotlight trained fully on BNP.

The bank, which owns 17.5 *per cent of UAP, shot forward* more than 8 per cent, climbing FFr16.90 to FFr216.80. CCF gained FFr6.10 to FFr243.70. Among other insurance stocks, AGF jumped FFr6.30 to FFr164.1, but *GAN dipped FFr1.50 to* FFr117.

The deal valued UAP shares at FFr146.40 per share, against FFr116.90 at the close on Monday. Suez, which owns 5 per cent of UAP, *added 50 centimes to* FFr226.5.

BNP was the day's most active stock with close on 3m shares changing hands. Valeo, up FFr4.50 at FFr323.50, was also busy with volume in the car parts group boosted by block trades to 2.3m.

Motor stocks were strong. Peugeot added FFr11 to FFr578 on a 7 per cent rise for nine-month sales. Renault gained FFr3 to FFr122.9. Solid sales news also underpinned LVMH which rose FFr30 to FFr1,277.

At the close, the CAC-40 index was 23.83 higher at 2,229.13.

A better day for the bond market and a bounce for Deutsche Bank helped push FRANKFURT to an all-time high in modest trading volume. The DAX closed at an Ibis-indicated 2,764.30, up 33.86.

Dealers said sentiment was positive throughout the session, but that there had been no real weight of buying. The most visible driving force was Deutsche Bank which jumped DM1.45 to DM69.70 on news that the bank had escaped paying $370m to buy out a Norwegian company in which it *had become embroiled* through the activities of a disgraced fund manager.

SAP, the computer group hit recently by a profits warning, surged DM2.20 to DM212.50 on the solid news from the US chips industry. Henkel added 20 pfg to DM72 after solid nine-month results.

Among second-liners, Adidas gained DM1.20 to DM133.70 following an upbeat third-quarter earnings statement.

AMSTERDAM fell from an *all-time high* in late trading, but ended comfortably ahead thanks to strong performances by index heavyweights, notably Philips.

At the close, the AEX index was up 0.49 at 597.59, just short of a new peak.

Philips jumped 70 cents to Fl 171 after the US semiconductor industry weighed in with a strong book-to-bill *ratio for October.* Royal Dutch continue to impress and Unilever also made solid progress.

Oil price strength continued to underpin Royal Dutch which gained 80 cents to Fl 277 while a reiterated buy recommendation from Goldman Sachs helped propel Unilever Fl 1.80 ahead to Fl 276.80.

ZURICH pulled back from its best intraday record levels to close marginally higher as Wall Street's early weakness and a weak dollar made for listless trade. The SMI index finished up 2.2 at at a closing high of 3,829.8 after a day's peak of 3,841.9.

Georg Fischer remained at the centre of attention, rising SFr19, or 1.5 per cent, at 1,319 on the view that the shares had been too cheap for too long and on the back of a number of positive recommendations.

MILAN was propelled upward by another sharp rise in Stet shares which were suspended at the 10 per cent limit up ceiling shortly before the close. The Comit index rose 9.22 to 632.49 and the real-time Mibtel index was 190 ahead at 10,141 as a firmer trend in domestic bonds also supported gains.

Stet achieved a peak of L6,240 and was last quoted L532 higher at L6,206 in further response to the treasury's plans to merge the company with Telecom Italia. Telecom Italia dipped to a low of L3,210 before recovering to close just L10 up at L3,331.

MADRID closed at a record high helped by gains in selected stocks and after tracking bonds and other European markets higher. The general index closed 2.32 ahead at 387.06.

Telefónica rallied further in response to estimates that nine-month net profits figures, due this week, would show a rise of 21.7 per cent. The shares rose Pta10 to Pta2,690.

Gas Natural soared after the energy group posted better than expected nine-month results. The shares rose Pta1,700 *to Pta24,900.* Its fellow energy group Repsol held on to early gains in spite of posting marginally worse than expected results just before the close. The shares closed Pta60 higher at Pta4,295.

OSLO finished at an all-time high as late gains in oil-related stocks and forestries reversed an early downturn on the back of sharp falls in Kvaerner.

The all-share index closed 1.23 higher at 892.39, with banks supported by hopes that the central bank would soon cut its key rates.

Kvaerner A closed NKr4 weaker at NKr249.50 as investors continued to digest the sharp fall in the company's nine-month profits, released on Monday.

ATHENS, closed since Thursday as a result of a broking failure, was thrown into confusion by an unexpected flurry of trading late in the day. The general index, which had ended on Thursday at 918.12, crept up to 920.81 at the official close after trading had been resumed by five bank-owned brokers.

Written and edited by Michael Morgan and Jeffrey Brown

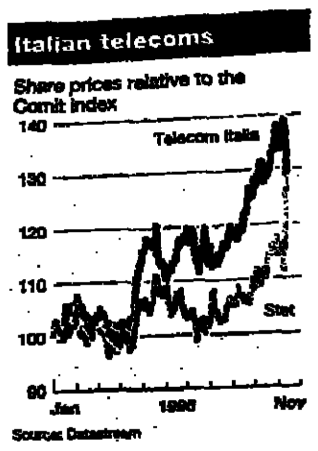
FTSE Actuaries Share Indices

Nov 12								THE EUROPEAN SERIES
Hourly changes	Open	10.30	11.00	12.00	13.00	14.00	15.00	Close
FTSE Eurotrack 100	1789.22	1790.45	1791.13	1790.86	1792.27	1792.06	1793.80	1793.59
FTSE Eurotrack 200	1834.74	1835.62	1836.53	1836.11	1836.35	1836.54	1838.44	1839.81

	Nov 11	Nov 8	Nov 7	Nov 6	Nov 5
FTSE Eurotrack 100	1789.58	1787.53	1778.72	1775.58	1758.99
FTSE Eurotrack 200	1829.57	1833.14	1824.57	1820.36	1815.49

Base value 1000 (26/10/90). High/day: 100 - 1794.45; 200 - 1839.86 Low/day: 100 - 1788.97 200 - 1834.34 ? Pastel.
© FTSE International Limited 1996. All rights reserved.

Italian telecoms



Seoul up 3.2% in largest one-day rise this year

ASIA PACIFIC

SEOUL jumped 3.2 per cent, its largest one-day rise this year, on the strength of lingering talk about government action to spur the market and the view that prices had bottomed. The composite index ended 23.01 higher at 752.54.

Samsung Electronics gained Won2,900 to Won66,900 on news that the US semiconductor book-to-bill ratio rose in October.

TOKYO staged a mild rebound to recoup the previous day's losses, propelled in part by growing confidence in the new government's commitment to financial and administrative reform, *writes Gwen Robinson.*

This followed Monday's announcement by the prime minister Mr Ryutaro Hashimoto of a "Big Bang" style deregulation package.

The Nikkei 225 average added 141.35 to close at 21,206.43, after moving *between 21,098.02 and* 21,251.45. Big gains for electricals and semiconductor-related issues on strong data for the US chip industry, reported overnight, helped to lift the market.

The Topix index of all first-section stocks rose 3.92 to 1,576.75 and the capital-weighted Nikkei 300 added 0.82 to 295.90. Volume edged up to an estimated 278m shares against Monday's 248m. Advances led declines 572 to 427, with 218 unchanged.

In London, the ISE/Nikkei 50 index rose 2.25 to 1,443.92.

Foreign investors toned down their recent heavy selling, which peaked in October when foreigners turned net sellers amid concerns *that the weak yen would* drag down the value of their yen-denominated assets.

If the yen held its current level of just above Y111 to the dollar or strengthened further, foreign investors *might switch to the buy side* and lift the market, traders said. Also raising hopes was the recent redirection of funds from the declining bond market to equities, with signs that domestic institutions might shift their focus to the stock market.

Electricals and some other export-oriented issues successfully fended off the negative impact of the yen's rise. NEC rose Y20 to Y1,320, Toshiba Y11 to Y743 and *Sharp Y20 to Y1,740.* Hitachi, which recently reported poor first-half earnings, fell Y10 to Y1,040. Sony, which reported strong first-half earnings last week, added Y50 to Y6,920 after falling Y20 the previous day.

Car makers were mixed. Toyota Motor added Y10 to Y2,820 after sliding Y30 on Monday. The increase followed Monday's news that Toyota would next month introduce less expensive engines.

Green Cross, the Osaka-based pharmaceutical company mired in scandal over sales of HIV-tainted blood products, was the most active share for the second consecutive day, surging a further Y56 to Y585 after months *in decline. Buying* interest followed last Friday's report that Sakura Bank has agreed to provide financial backing for the company's restructuring plan.

In Osaka, the OSE average was up 26.90 at 21,669.34 in volume of 17.08m shares.

SYDNEY closed lower, led by falls in banks and at News Corp. The All Ordinaries index ended off 14.6 at 2,343.5.

One broker said the pressure on banks was due to profit-taking rather than any adverse reaction to results. The interims from Westpac and St George were both broadly in line with expectations.

Westpac dipped 15 cents to A$7.05, and St George closed at A$8.51, also off 15 cents. News Corp came off 18 cents to A$6.95 after the media giant announced slightly disappointing quarterly results.

HONG KONG edged up to a record close as demand emerged for recent laggards and China infrastructure plays late in the day, which suggested European buying. The Hang Seng index closed 34.45 higher at 12,806.31, eclipsing the previous peak of 12,775.47 set on November 6, in turnover that picked up to HK$6.9bn.

Utilities were under pressure. China Light lost HK$1.30 at HK$33.70 after a government request that the company delayed the expansion of the Black Point power plant.

SINGAPORE was firm in late trade, reflecting demand from Japanese funds for property and finance stocks, when a computer breakdown brought a halt to dealings. The Straits Times Industrial index was up 10.94 to 2,128.17 when the fault occurred.

KUALA LUMPUR was taken higher by foreign and domestic institutional demand, which included purchases by the Employees Provident Fund, the Malaysian state-run pension fund, and Permodalan Nasional, a savings fund for ethnic Malays.

The composite index rose 9.61 to 1,189.21, as Tenaga, the day's most actively traded blue chip stock, rose 50 cents to M$11.20.

BANGKOK rallied modestly, clawing back a third of Monday's losses. At the close, the SET index was up 6.40 at 963.68.

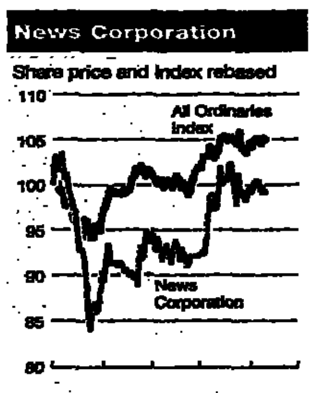
Dealers said that activity was low and that the upturn stemmed from bargain hunting among financial stocks. Sentiment also remained fragile ahead of Sunday's general election.

COLOMBO continued to edge higher with foreign buyers again in evidence. The all-share index finished 2.16 higher at 530.80.

Commercial Bank jumped 4 per cent, gaining Rs5 to Rs125 following a strong earnings statement. After the restart of dealings, Asia Capital surged 29 per cent. The shares, suspended on news of a bid for Vanik Incorporation, rose Rs2.25 to Rs10.

KARACHI stocks rebounded on the first day of the new account to close higher as selective buying countered early selling pressure. The 100-share index added 5.71 to 1,480.21. Engro Chemicals rose Rs6.0 to Rs145.

News Corporation



Buenos Aires ahead

BUENOS AIRES made further solid progress, ending the morning session with *a gain of 1.4 per cent.* Dealers said that the continued slide in US long bond yields had bolstered sentiment.

Banks made further progress, but the main activity centred on telecoms stocks following an upgrade of Telefonica from hold to buy by Credit Suisse First Boston. At midsession, the Merval index was 8.49 better at 596.09.

CARACAS gained from indications that the offering in the state telecoms group CANTV had been oversub*scribed. Brokers were* expecting excess liquidity to find its way into the broad market. At midsession, the IBC index was up 28.87 at 5,990.25.

MEXICO CITY traded lower in dull volume. At the close of the morning session, the IPC index was off 3.13 at 3,366.59.

Dealers said there was no clear market trend and very little activity.

S Africa halts tumble

Shares in Johannesburg ended a nine-session downside run thanks to a better day for the rand and what brokers described as good *support from the futures* market.

At the close, the overall index was up 29.4 at 6,762.1 with industrials 38.3 higher at 7,930.2. Golds, boosted by the recent firmness for the *bullion price,* improved 22.4 to 1,701.6.

Dealers said that the market opened flat, but spun around smartly after the lunch break as futures traders were seen to be covering *short positions. Sentiment* was also lifted by the rand's modest recovery in the foreign exchanges.

De Beers put on R3 to R137 and Standard Bank added R2 to R171. Among *golds, Vaal Reefs gained R8* to R348.

FT/S&P ACTUARIES WORLD INDICES

The FT/S&P Actuaries World Indices are owned by FTSE International Limited, Goldman, Sachs & Co. and Standard & Poor's. The indices are compiled by FTSE International and Standard & Poor's in conjunction with the Faculty of Actuaries and the Institute of Actuaries. NatWest Securities Ltd. was a co-founder of the indices.

NATIONAL AND REGIONAL MARKETS	MONDAY NOVEMBER 11 1996								FRIDAY NOVEMBER 8 1996					DOLLAR INDEX		
Figures in parentheses show number of lines of stock	US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	52 week High	52 week Low	Year ago (approx)
Australia (78)	211.84	-0.3	190.77	148.96	165.09	179.00	-0.2	4.25	212.51	191.56	149.85	166.38	179.37	216.14	179.98	182.11
Austria (24)	183.41	0.5	165.16	128.96	142.93	142.85	0.0	1.87	182.53	164.53	128.71	142.90	142.82	195.04	168.36	170.75
Belgium (27)	224.66	0.5	202.31	157.98	175.08	171.17	0.0	3.90	223.53	201.49	157.61	175.00	171.17	224.66	199.77	195.38
Brazil (28)	180.92	0.4	162.92	127.22	140.99	342.91	0.4	1.78	180.25	162.48	127.10	141.12	341.64	189.70	123.97	129.82
Canada (118)	190.63	0.4	171.67	134.05	148.56	184.13	0.7	1.96	189.80	171.08	133.83	148.59	182.91	190.63	143.78	144.94
Denmark (30)	336.02	0.3	302.59	236.28	261.86	263.56	-0.1	1.75	334.85	301.83	236.11	262.15	263.89	336.30	276.89	280.48
Finland (24)	225.17	1.5	202.77	158.33	175.48	213.82	1.0	2.35	221.77	199.91	156.38	173.62	211.75	225.17	171.73	224.74
France (93)	209.40	0.4	188.67	147.24	163.18	168.61	0.0	2.92	208.52	187.96	147.03	163.25	168.61	209.40	167.70	177.49
Germany (58)	185.71	0.1	167.24	130.58	144.73	144.73	-0.4	1.73	185.58	167.28	130.86	145.29	145.29	186.71	158.00	158.64
Hong Kong (59)	476.50	0.3	429.10	335.06	371.34	473.05	0.3	3.27	475.09	428.25	334.99	371.95	471.65	476.50	354.67	361.25
Indonesia (27)	216.20	-0.3	194.69	152.02	168.49	309.60	-0.3	1.63	216.91	195.53	152.95	169.82	310.58	-	-	-
Ireland (16)	318.97	-0.1	287.24	224.29	248.57	271.96	-0.3	3.31	319.32	287.84	225.16	249.99	272.66	319.32	247.16	249.33
Italy (58)	78.87	0.0	71.03	55.46	61.47	89.08	-0.3	2.93	78.84	71.07	55.59	61.73	89.32	84.53	67.22	69.75
Japan (480)	*142.97*	*0.0*	*128.75*	*100.53*	*111.42*	*100.53*	*-0.3*	*0.78*	*142.99*	*128.90*	*100.83*	*111.95*	*100.83*	*164.66*	*137.62*	143.00
Malaysia (107)	581.92	0.0	524.03	409.18	453.49	584.35	0.0	1.17	581.87	524.50	410.29	455.54	584.35	587.74	425.77	433.87
Mexico (27)	1220.27	0.9	1098.86	858.05	950.97	10536.02	0.8	1.24	1208.86	1089.68	852.39	946.41	10454.71	1325.65	791.99	858.57
Netherland (19)	317.85	1.4	286.23	223.50	247.71	243.94	1.0	3.00	313.36	282.47	220.96	245.33	241.61	317.85	254.68	255.06
New Zealand (15)	91.83	-0.4	82.69	64.57	71.58	69.75	-0.4	3.99	92.22	83.13	65.02	72.20	69.01	94.35	75.94	81.35
Norway (35)	275.19	1.1	247.81	193.50	214.46	235.43	0.7	2.18	272.12	245.29	191.88	213.04	233.72	275.19	222.24	225.45
Philippines (22)	194.35	-1.0	175.02	136.66	151.46	254.49	-1.0	0.63	196.23	176.89	138.37	153.63	257.00	-	-	-
Singapore (43)	394.35	0.1	355.12	277.29	307.32	254.15	-0.0	1.08	393.84	355.01	277.71	308.34	254.15	465.21	361.94	384.69
South Africa (44)	321.01	-0.7	289.08	225.72	250.17	329.45	-1.0	2.36	323.41	291.52	228.04	253.19	332.86	437.76	314.20	375.77
Spain (37)	193.66	0.4	174.40	136.18	150.92	185.24	0.0	3.23	192.94	173.92	136.04	151.05	185.31	193.66	148.39	148.81
Sweden (48)	393.04	-0.2	353.94	276.37	306.30	393.80	-0.2	2.22	393.70	354.89	277.61	308.23	394.52	400.14	294.19	304.98
Switzerland (37)	247.68	1.0	223.04	174.16	193.02	193.57	0.3	1.53	245.32	221.13	172.98	192.06	192.98	254.34	219.29	226.01
Thailand (45)	121.05	-2.0	109.01	85.12	94.34	119.44	-2.2	2.87	123.54	111.36	87.11	96.72	122.09	193.96	112.17	149.09
United Kingdom (213)	*259.73*	*0.2*	*233.89*	*182.63*	*202.41*	*233.89*	*0.1*	*4.05*	*259.30*	*233.74*	*182.64*	*203.01*	*233.74*	*261.17*	*222.29*	223.93
USA (624)	297.62	0.1	268.01	209.27	231.93	297.62	0.1	2.01	297.21	267.91	209.57	232.69	297.21	297.62	241.36	242.69
Americas (795)	272.51	0.2	245.40	191.62	212.37	228.99	0.2	2.00	272.08	245.26	191.86	213.01	228.80	272.51	219.58	220.82
Europe (719)	227.46	0.4	204.83	159.94	177.26	193.10	0.1	2.98	226.60	204.26	159.78	177.41	192.97	227.46	193.02	194.06
Nordic (137)	338.52	0.3	304.85	238.04	263.81	269.26	0.1	2.16	337.60	304.31	238.05	264.30	269.05	339.67	261.13	277.37
Pacific Basin (876)	159.08	0.0	143.25	111.86	123.97	113.49	-0.2	1.23	159.11	143.42	112.19	124.57	113.76	177.01	150.59	152.72
Euro-Pacific (1595)	187.45	0.2	168.80	131.81	146.08	143.50	-0.1	2.12	187.11	168.66	131.93	146.49	143.62	190.57	168.34	169.85
North America (740)	291.27	0.1	262.30	204.81	226.99	290.18	0.2	2.01	290.83	262.16	205.07	227.69	289.70	291.27	235.37	236.50
Europe Ex. UK (506)	204.95	0.5	184.56	144.11	159.72	168.35	0.1	2.38	203.92	183.81	143.79	159.65	168.23	204.95	173.04	173.83
Pacific Ex. Japan (396)	301.38	-0.1	271.40	211.92	234.87	280.34	0.0	2.86	301.52	271.79	212.61	236.08	280.42	301.52	243.59	246.06
World Ex. US (1810)	189.52	0.2	170.67	133.26	147.69	149.82	-0.1	2.11	189.17	170.52	133.39	148.10	148.90	191.55	169.39	170.66
World Ex. UK (2221)	219.94	0.2	198.06	154.65	171.40	187.22	0.0	1.85	219.58	197.93	154.83	171.91	187.17	219.94	188.74	189.87
World Ex. Japan (1954)	266.06	0.2	239.58	187.08	207.34	249.56	0.1	2.39	265.50	239.32	187.21	207.86	249.29	266.06	219.88	220.64
The World Index (2434)	223.38	0.2	201.16	157.07	174.08	191.56	0.0	2.06	223.02	201.03	157.26	174.60	191.51	223.38	191.79	192.84